



Victoria
CIVIC
HERITAGE
TRUST

Mayor and Council
City of Victoria
1 Centennial Square
Victoria BC V8W 1P6

1 November 2019

**Victoria Civic Heritage Trust
2020 Expenditure Budget
2020 Capital and Operating Direct-Award Funding Requests**

Dear Mayor Helps and Council Members:

As requested by the department of Sustainable Planning and Community Development, the Victoria Civic Heritage Trust (VCHT) respectfully submits our **2020 Expenditure Budget**, approved by our Board of Directors on 23 October 2019. The 2020 Operating request is the same as 2019 plus a 2% cost of living increase. The 2020 Capital request is increased from \$420,000.00 to \$1,000,000.00, as explained below.

The VCHT Board of Directors was very pleased to welcome and to work with Councillors Jeremy Loveday and Charlayne Thornton-Joe, both starting a two-year term in 2019.

In 2019 the VCHT saw continued demand for application requests under the Building Incentive Program (BIP), with some applications submitted in 2019 and a number of others expected in 2020. Projects approved in 2019 were located in the downtown, Rock Bay, Fernwood, Burnside, and North Jubilee neighbourhoods. Projects expected in 2020 include significant heritage buildings inside and outside of the downtown core. We are excited to continue working with several Chinese Associations on heritage conservation projects in Chinatown.

The VCHT continues to emphasize the seismic upgrading of heritage buildings. The Seismic Parapet Incentive Program (PIP) introduced in 2015 generates sustained interest and a number of projects are in the works for 2020. This initiative operates through BIP using existing resources and is the first of its kind in Canada.

CAPITAL REQUEST INCREASE: Aligning Incentives with Increased Construction Costs 1990-2019

In July 2019 the VCHT Board approved an increase in the maximum Building Incentive Program (BIP) and Seismic Parapet Incentive Program (PIP) funding from \$50,000.00 to \$100,000.00, effective immediately. These increased maximum incentive amounts are reflected in the increased 2020 Capital request of \$1,000,000.00 based on applications expected in 2020, as confirmed with the City's Senior Heritage Planner.

The maximum BIP funding amount of \$50,000.00 remained unchanged since 1990 to 2019, while local construction costs increased by 94% in the same period. Simply put, the value of \$50,000.00 in 1990 is equivalent to approximately \$100,000.00 in 2019. The decision to increase the BIP funding maximum was based on documented increases in historic local construction costs. See the attached VCHT report "Board Policy Discussion: BIP + PIP Maximum Funding" and letter from Activicas Group Consultants Inc, 11 July 2019.

In October 2019 the VCHT Board also approved more modest increases in the maximum funding for BIP Design Assistance Grants from \$2,000.00 to \$3,000.00, and PIP-Design Assistance Grants from \$3,000.00 to \$4,500.00. These increases were approved to align the incentives to engage professional consultants based on the mid-range majority of actual historic consultant costs. See the history and breakdown of costs in the attached VCHT report "Board Policy Discussion: DAG + PIP-DAG Maximum Funding."

PLAN FOR 2020: Research and Report back to Council for 2021 Budget Submission

In July 2019 the VCHT Board also approved the preparation of a comprehensive report to Council for the 2021 budget submission, including engagement of a cost consultant to prepare an analysis of costs and the value of incentives applied against increasing construction costs, particularly costs related to the 2018 BC Building Code for seismic upgrading and other issues directly affecting heritage buildings in Victoria.

Further research is expected to be done in 2020 on incentives in other jurisdictions. For example, in 2019 the City of Vancouver introduced a new suite of heritage incentive programs. One of its incentive programs provides up to \$4 million per heritage building (based on \$100/sq ft to a maximum of 50% of eligible costs) with 6-8 applications anticipated annually through a Heritage Conservation Reserve Fund, funded by community amenity contributions collected from city-wide re-zonings. This significant incentive aims to encourage exterior and interior heritage conservation including seismic and other code upgrading.

Please note that with the increased BIP and PIP maximum funding amount of \$100,000.00, that amount in 2019 dollars only keeps pace with the equivalent value of a \$50,000.00 BIP incentive in 1990. It has, however, a large potential impact on the projected budgets for 2020, 2021 and beyond, with the VCHT's BIP reserve being depleted in 2020. Recommendations on distribution of incentives will be made in the report.

CITY'S SEISMIC UPGRADE FUND: Subject to Council Approval, \$150,000.00 to VCHT for PIP
The City of Victoria Downtown Core Area Plan (2011) identified the implementation of a **Downtown Heritage Resource Seismic Upgrade Fund** in chapter 7 Heritage to support seismic upgrading costs for protected downtown heritage buildings -- see attached excerpts.

It is understood that **\$150,000.00** in funds have accumulated since the Downtown Core Area Plan was adopted which, subject to Council approval, may be allocated to the VCHT toward the **Seismic Parapet Incentive Program** to assist owners with voluntary seismic upgrading of parapets, building fronts, and seismic falling hazards on their protected downtown heritage buildings.

The allocation of **\$150,000.00** from the City's Seismic Upgrade Fund is shown in the 2020 Expenditure Budget, but it is separate from and in addition to the VCHT's annual direct-award Capital request of **\$1,000,000.00**.

PROJECTED APPLICATIONS: 2020 and 2021

To date in 2019, approved applications include **nine Building Incentive Program** and **one Design Assistance Grant** totaling **\$301,746.46**, and **four BIP** extensions plus **four** site visits and payouts. **Two PIP-DAG** funding awards under the **Parapet Incentive Program** were approved in 2019 totaling **\$6,000.00**. City and VCHT staff also met with a number of **Tax Incentive Program** applicants, with many planning to submit in 2020 or 2021.

Potential projects for 2020 and 2021 based on current applications are listed on pages 2-3 of the attached 2020 Expenditure Budget. This list includes heritage buildings located in various neighbourhoods in the city.

We anticipate very strong demand in 2020 and 2021. Based on enquiries for the rest of 2019 and for 2020, the VCHT projects the potential for **twenty to twenty-five BIP** plus **thirteen DAG** applications, as well as **nine PIP** and **six PIP-DAG** applications, in the amount of **\$427,500.00** in 2019 plus **\$2,158,455.10** in 2020. In 2021 the VCHT projects the potential for **eighteen to twenty BIP** plus **twelve DAG** applications, as well as **three PIP** and **three PIP-DAG** applications, in the amount of **\$2,089,500.00** in 2021.

2020 CAPITAL REQUEST

We respectfully submit our **2020 Capital** direct-award funding request of **\$1,000,000.00** for the purposes of Building Incentive Program funds and assisting with the City of Victoria's Heritage Tax Incentive Program, plus a separate allocation of **\$150,000.00** to be approved by Council from the City's Seismic Upgrade Fund to the VCHT toward the Seismic Parapet Incentive Program. The direct-award funding request reflects a significant increase in the Capital request from \$420,000.00 since 2008 to 2019 in recognition of increases in construction costs in recent years. The list of potential applications in 2019-2020 translates to a deficit of **-\$4,503.00** in the BIP fund by 31 December 2020 if all projects are approved, which substantiates the 2020 capital request of \$1,000,000.00.

2020 OPERATING REQUEST

We respectfully submit our **2020 Operating** direct-award funding request of **\$116,500.00**, which is the amount received in 2019 plus a 2% cost of living adjustment, as per last year. Please note that with the amount requested, the VCHT will continue to operate on a deficit basis as it has for a number of years.

BACKGROUND

The VCHT was established by the City of Victoria in 1989 as a civic vehicle to administer Building Incentive Program funding, and subsequently to assist with the City's Tax Incentive Program, for the conservation and rehabilitation of downtown heritage buildings and to preserve Victoria's community heritage. Modeled on Civic Trusts in Britain that are financially supported by the local municipality, the VCHT is a widely recognized organization that has produced impressive results for the City of Victoria that would not otherwise have been achieved without these programs. To date some of these accomplishments include:

- **\$161.62 million** in private investment in **153 eligible heritage buildings** through **\$6,540,295.00** in **299 Building Incentive Program** awards through City Capital funding;
- Average factor of **\$24.71 private investment** for every **\$1** in BIP funds awarded;
- **82 Heritage Designations** directly related to funding applications, resulting in significantly increased protection of heritage buildings and an improved downtown environment;
- Numerous awards including: **Pinnacle Award** to the City of Victoria and VCHT by the International Downtown Association for the Tax Incentive Program; **Gold CARE Award** to the City of Victoria and VCHT by the Canadian Home Builders' Association for the Tax Incentive Program; **Prince of Wales Prize** to the City of Victoria for its heritage conservation programs; **Outstanding Achievement Award** from Heritage BC and **Communication Award** from the Hallmark Society for **Test of Time**; **BCBIA "Best in the West" Award** and \$125,000.00 funding from the Canada – BC Infrastructure Works Program for the Downtown Heritage Building Lighting Program; **Outstanding Achievement Award** and \$300,000 HARP funding from the BC Heritage Trust for the Broad & Yates Street area.

The VCHT is very proud of our strong relationship with the City of Victoria and our long record of distinguished service on behalf of the City and its residents. We look forward to continuing to work with the City of Victoria to further its strategic goals through incentive programs operated by the VCHT which successfully deal with significant community issues on multiple levels using highly cost-effective resources.

On behalf of our Board of Directors, I'd like to thank the City of Victoria for its ongoing financial commitment to Victoria's exceptional heritage programs. It is because of Council's foresight and consistent support that the City of Victoria is widely recognized as a leader in municipal heritage conservation in Canada.

More detailed program information will be available for 2019/2020 following the calendar year end.

The VCHT Board appreciates that the 2020 Capital request represents a significant increase, however we believe it is justified and overdue. We would be pleased to discuss our request with Council at any time

Yours truly,


Clive Townley
President

attachments

**2020 EXPENDITURE BUDGET
VICTORIA CIVIC HERITAGE TRUST**

Submitted to City of Victoria
23 October 2019

EXPENDITURES				REVENUE	
BUDGET ITEM	EXPENDITURE BUDGET			CITY OF VICTORIA	
	Priority / Explanatory Notes	APPROVED 2019 BUDGET	2020 BUDGET	OPERATING FUNDS 2% COL Increase	CAPITAL FUNDS
TOTAL BREAKDOWN		735,985.00	1,590,785.00	116,500.00	1,150,000.00
CORE OPERATIONS					
Core Management Contract (60%)	Contract	54,800.00	55,900.00	51,030.00	
Office & Equipment Rent	Contract	11,675.00	11,900.00	11,900.00	
Office Expenses	Contract	5,100.00	4,500.00	4,500.00	
Telephone / Internet	Core	725.00	840.00	840.00	
Computer / Communications	Core	1,200.00	1,200.00		
Catering & Meeting Costs	Core	3,400.00	4,000.00	4,000.00	
Travel	Core	500.00	500.00	0.00	
Miscellaneous Costs	Core	500.00	500.00		
Insurance	Core	2,050.00	2,100.00	2,100.00	
Audit Fees	Core	5,600.00	5,900.00	5,900.00	
Reserve for Projects	Core	6,000.00	6,000.00		
Bank Charges	Core	150.00	30.00	30.00	
Interest Earned	Core	-20,000.00	-20,000.00		
5% GST Cost Estimated	Core	7,500.00	7,500.00		
50% GST Rebate Estimated	Core	-3,750.00	-3,750.00		
ARCHITECTURAL CONSERVATION					
ACC Committee (40%)	Contract	36,535.00	37,165.00	35,700.00	
PROJECT MANAGEMENT					
INTERPRETATION PROJECTS					
Interpretation Committee	2	0.00	0.00		
Heritage Directory Website	2	500.00	500.00	500.00	
OTHER PROJECTS					
Special Projects/Events/as approved by Board	2		1,000.00		
Cost Consultant Study/as approved by Board	2	3,500.00	5,000.00		
Total Core Operating & Projects		115,985.00	120,785.00	116,500.00	
CAPITAL INCENTIVE PROGRAMS					
Projected BIP Project Balance 31 Dec 2019	1,043,952.15				
2020 City Capital Contribution for BIP	1,000,000.00				
2020 Seismic Upgrade Fund Contribution*	150,000.00				
<i>*Subject to Council approval</i>					
2020 Potential BIP Project Applications**	-2,158,455.10				
<i>**See attached list on page 2</i>					
2020 Program Expenses See below	-40,000.00				
Projected BIP DEFICIT 31 Dec 2020	-4,502.95				
BUILDING INCENTIVE PROGRAM					
2020 Building Incentive Program Funds	Core	400,000.00	960,000.00		960,000.00
BIP Brochure / Banners	Core	4,000.00	4,000.00		4,000.00
2020 Seismic Upgrade Fund Contribution*			150,000.00		150,000.00
<i>*Subject to Council approval</i>					
2020 Seismic PIP Budget = \$470,000	Core				
PIP & PIP-DAG Applications	Core	185,000.00	320,000.00		
Program Management / Expenses	Core	15,000.00	16,000.00		16,000.00
Seismic/Downtn Promotion/Communications	Core	8,047.94	8,047.94		
Donation for Seismic/DT Promotion/Comm		-8,047.94	-8,047.94		
TAX INCENTIVE PROGRAM	Core	12,000.00	16,000.00		16,000.00
BIP/TIP Promotion / Communications	Core	4,000.00	4,000.00		4,000.00
TOTAL Capital Incentive Programs		620,000.00	1,470,000.00	116,500.00	1,150,000.00
GRAND TOTALS		735,985.00	1,590,785.00	116,500.00	1,150,000.00
CITY DIRECT-AWARD REQUEST				1,266,500.00	

BIP CASH PROJECTION: 2020 and 2021

BIP PROJECT BALANCE 30 Sept 2019	1,495,120.15		CoV Capital Request
532 Herald St Wilson Brothers Warehouse	-18,368.00	BIP	2008-2019
536-538 Herald St Wilson Building	-5,300.00	BIP	\$420,000.00
649 Gorge Rd Centennial United Church	-20,000.00	BIP	
2006-2010 Fernwood Rd Rennie & Taylor Apts	-3,000.00	DAG	CoV Capital Request
2006-2010 Fernwood Rd Rennie & Taylor Apts	-4,500.00	PIP-DAG	2020
1300 Government St Adelphi Building	-100,000.00	BIP	BIP \$1,000,000.00
1300 Government St Adelphi Building	-100,000.00	PIP	SUF (PIP) \$150,000.00
1306 Government St Palace Cigar Store	-100,000.00	BIP	<u>\$1,150,000.00</u>
1306 Government St Palace Cigar Store	-100,000.00	PIP	
PROJECTED BIP BALANCE 31 Dec 2019	1,043,952.15		

2020 PROJECTED BIP PROJECTS

2621 Douglas St Times Colonist Building	-103,000.00	BIP+TIP
1314-1324 Douglas/645-651 Johnson St Morgan Blk	-103,000.00	BIP+TIP
1314-1324 Douglas/645-651 Johnson St Morgan Blk	-103,000.00	BIP+TIP
1314-1322 Broad St Duck Block	-103,000.00	BIP+TIP
1058 Pandora Ave Wellburns	-103,000.00	BIP+TIP
1400 Vancouver / 952 Johnson St McCall's Funeral	-103,000.00	BIP+TIP
2659 Douglas St Scott Building	-103,000.00	BIP+TIP
550-554 Johnson St Strand Hotel	-100,000.00	PIP
626 Blanshard St Church of Our Lord	-75,000.00	BIP
1308-1312 Douglas St Lang Block / Victoria House	-80,000.00	DAG+BIP
159 Cook St Hampton Court	-3,000.00	DAG
159 Cook St Hampton Court	-81,562.50	BIP
923 Burdett St Mt St Angela	-50,000.00	BIP
539 1/2-545 Fisgard St	-103,000.00	BIP
539 1/2-545 Fisgard St	-104,500.00	PIP or TIP
6-10 Fan Tan Alley	-103,000.00	BIP
6-10 Fan Tan Alley	-104,500.00	PIP or TIP
1244-1252 Wharf St Yates Block	-103,000.00	BIP
1244-1252 Wharf St Yates Block	-104,500.00	PIP or TIP
554-562 Fisgard St CCBA Building	-75,000.00	BIP
1600-1602 Quadra St Palladian / Nelson's Music	-50,000.00	BIP
2006-2010 Fernwood Rd Rennie & Taylor Apts	-5,000.00	BIP
2006-2010 Fernwood Rd Rennie & Taylor Apts	-30,000.00	PIP
612 1/2 Fisgard St Shon Yee Benevolent Assoc	-30,000.00	BIP+PIP
1005-1009 Broad St Counting House	-35,392.60	BIP
Unknown Applicants	-200,000.00	BIP
Subtotal	-2,158,455.10	

2021 POTENTIAL BIP PROJECTS

1829-1831 Fern St Victoria Friends Meeting House	-5,000.00	BIP
823-825 Broughton St Mellor Building	-15,000.00	BIP
1314 Wharf St Caire & Gracini Whs/Northern Junk	-100,000.00	BIP+TIP
1316-18 Wharf St Fraser Whs/Northern Junk	-100,000.00	BIP+TIP
1316-28 Government / 589 Johnson St	-103,000.00	BIP+TIP
546 Pandora Ave Macdonald Building	-103,000.00	BIP
546 Pandora Ave Macdonald Building	-104,500.00	PIP or TIP
3 Fan Tan Alley Lim Ging Building	-103,000.00	BIP
3 Fan Tan Alley Lim Ging Building	-104,500.00	PIP or TIP
1713 Government St Yen Wo Society Building	-103,000.00	BIP
1713 Government St Yen Wo Society Building	-104,500.00	PIP
710 Fort St Ritz Hotel	-103,000.00	BIP+TIP
535 Yates St Pither & Leiser Building	-100,000.00	BIP

2021 POTENTIAL BIP PROJECTS *continued*

251-253 Esquimalt Rd Roundhouse	-103,000.00	BIP+TIP
251-253 Esquimalt Rd Car Shop	-103,000.00	BIP+TIP
251-253 Esquimalt Rd Stores Building	-103,000.00	BIP+TIP
251-253 Esquimalt Rd Backshop Building	-103,000.00	BIP+TIP
251-253 Esquimalt Rd Turntable	-103,000.00	BIP+TIP
614 Fisgard St Lee's Benevolent Assoc Building	-103,000.00	BIP+TIP
1618-1628 Govt / 565 Fisgard St Lee Block	-103,000.00	BIP+TIP
557-561 Fisgard St Lee Woy & Co	-20,000.00	BIP
Unknown Applicants	-200,000.00	
Subtotal	-2,089,500.00	

Board Policy Discussion: BIP + PIP Maximum Funding

1.0 GENERAL INFORMATION

Policy:	Maximum Funding Amount
Adopted:	1989 under the original Building Incentive Program guidelines
Discussion:	Whether to increase the maximum funding amount for BIP + PIP on a trial basis for 1 year
Amounts:	Existing Maximum = \$ 50,000.00 Possible Maximum \$ 100,000.00 or \$ 75,000.00

2.0 DISCUSSION OVERVIEW

2.1 BACKGROUND

The Victoria Civic Heritage Trust (VCHT) was established by the City of Victoria in 1989 as a civic vehicle to administer Building Incentive Program funding for the conservation of Victoria's heritage commercial, industrial, institutional and apartment buildings. Since 1998 the VCHT has also assisted with the City's Heritage Tax Incentive Program. After a three year research phase, the VCHT launched the Seismic Parapet Incentive Program in 2015 to address seismic upgrading of falling hazards and to improve public safety in downtown heritage buildings.

The VCHT is a registered federal charity and a non-profit society governed by an independent Board of Directors. The VCHT works at arm's length and in partnership with the City of Victoria (and sometimes others) to develop, administer and financially support programs that preserve, promote, interpret and enhance the cultural and natural heritage resources of the City of Victoria and its environs.

Modeled on Civic Trusts in Britain that are financially supported by local municipalities, the VCHT is a widely recognized organization that has achieved impressive results for the City of Victoria through its heritage incentive programs.

2.2 MAXIMUM FUNDING AMOUNT

At various times in its history the VCHT Board of Directors has considered whether or not to increase the maximum available financial incentive amount above \$ 50,000.00. This maximum amount was established in 1990 and has not been raised since that time largely due to concern that there has never been a good time to seek a substantial increase in BIP Capital funds from City of Victoria.

Nearly thirty years has now passed with the maximum funding amount remaining at \$ 50,000.00. During this period inflation has risen at the rate of 1.75 and local construction costs have doubled (see below). There is now a serious question whether the incentive level has reached a "tipping point" where its value is no longer as effective to encourage heritage conservation in the context of larger development projects that provide a certain economy of scale.

Controversial issues that affect heritage conservation have now been regularly tied in recent years to the economics of development, such as façadism, retaining the integrity of the original heritage structure, and the addition of more storeys and density to heritage buildings. Added to this is the rapid increase in the cost of seismic upgrading, coupled with increased seismic requirements based on performance in the new 2018 BC Building Code which is expected to dramatically increase rehabilitation costs for existing buildings.

The purpose of this report is to initiate strategic Board discussion about increasing the maximum funding amount for BIP and PIP on a trial basis for a one year period in order to evaluate the effectiveness and demand for an increased level of incentive, with an aim to seek and build a case for additional Capital funds from City of Victoria in the 2021 budget year. Three strategic options are suggested later in the report for discussion: increase the maximum to \$ 100,000.00 for a one year trial period; increase the maximum to \$ 75,000.00 for a one year trial period, or; maintain the existing maximum of \$ 50,000.00 with or without plans to seek future increase in Capital funds.

Board Policy Discussion: BIP + PIP Maximum Funding

2.3 FINANCIAL INCENTIVE PROGRAMS

Building Incentive Program

The City of Victoria established and funded the Building Incentive Program (BIP) in 1989 under the administration of the Victoria Civic Heritage Trust. Since 1990 when BIP became operational, BIP funds have been offered on a matching basis up to 50%-50% to a maximum of \$ 50,000.00 for eligible heritage conservation work on Victoria's commercial, industrial, institutional and apartment buildings. As well, Design Assistance Grant matching funds up to 50%-50% to a maximum of \$ 2,000.00 are available for eligible preliminary consultant services to assist in the preparation of a BIP funding application.

The VCHT collects information on private investment made by property owners who apply for funding. In 2018 the total combined private investment in heritage costs for approved BIP, DAG, and PIP projects is estimated to be \$ 648,385.55. From the start of the program in 1990 to the end of 2018, BIP statistics show \$ 155.50 million in private investment in 153 eligible heritage buildings through \$ 6,245,995.00 public investment in 287 funding applications provided through City capital funds. This translates to an average contribution factor of \$ 24.90 in private investment for every \$ 1 in public heritage funding. A total of 82 Heritage Designations are directly related to funding applications, resulting in significantly increased protection of heritage buildings and an improved downtown environment.

Seismic Parapet Incentive Program

Starting in 2015, Seismic Parapet Incentive Program (PIP) funding became available on a pilot program basis to eligible downtown buildings for the purpose of seismically upgrading parapets, cornices and connections of façades to the building structure to remediate falling hazards and improve public safety. The PIP target area is the Johnson Street bridge transportation corridors, however the Board has approved other downtown projects citing the opportunity and need for seismic upgrading throughout the downtown core. \$ 500,000.00 in BIP funds were initially set aside for PIP, of which \$ 325,041.96 currently remains.

PIP funds are offered on an enhanced basis of up to 75% funding to a maximum of \$ 3,000.00 for PIP-Design Assistance Grants for preliminary engineering fees and up to 75% funding to a maximum of \$ 50,000.00 for seismic upgrading work. There are presently four buildings with PIP-DAG awards:

550-554 Johnson Street (Strand Hotel) *on hold due to costs*

535 Yates Street (Pither & Leiser Building) *evaluation in progress*

2110 Store Street (National Electric Tramway & Light Co Powerhouse Bldg) *partial due to costs?*

612 (612 ½) Fisgard Street (Shon Yee Benevolent Association) *evaluation in progress*

To date three buildings are completed under PIP (two received \$ 50,000.00); six PIP-DAG awards were made; one application was declined.

2.3 CONTEXT

Various contexts for discussion are outlined below including: increased construction costs; recent projects impacted; City of Victoria Downtown Core Area Plan and Downtown Heritage Resource Seismic Upgrade Fund; City of Vancouver's new heritage incentive programs.

Increased Construction Costs 1990-2019

VCHT Director Greg Baynton (Ret'd CEO, Vancouver Island Construction Association) put the Executive Director in contact with Advicas Professional Quantity Surveyors to obtain information regarding construction cost increases in the Victoria construction market since 1990 to the present.

Board Policy Discussion: BIP + PIP Maximum Funding

Francis Yong, PQS, Principal of Advicas very kindly provided a letter with information developed by John Granger, former Principal of Advicas Group – see attached letter. The table of percentage changes by year provided by Advicas indicates a total increase from 1990 to 2019 of 94.00% including inflation. On this basis the comparative construction cost of \$ 50,000.00 from 1990 to 2019 is:

$$\text{\$ } 50,000.00 \times 1.94 = \text{\$ } \mathbf{97,000.00}$$

Or \$ 50,000.00 in 2019 is equivalent to \$ 25,773.20 in 1990 construction costs ($\text{\$ } 50,000.00 / 1.94$).

John Knappett of Knappett Projects Inc (ACC member) also very kindly provided information from RSMeans with respect to Historical Cost Indexes in Canada – see attached table. Using the Historical Cost Index from 1990 of 94.3 and the Historical Cost Index from 2019 of 227.3:

$$227.3/94.3 = 2.41 \times \text{\$ } 50,000.00 = \text{\$ } \mathbf{120,500.00}$$

If the VCHT wishes to make a case for additional funds for heritage incentive programs, it is recommended that Advicas (or a firm with similar expertise) should be engaged within the next year to prepare a more detailed analysis of costs and the value of incentives applied against increasing construction costs, particularly with regard to projected seismic upgrading costs related to the 2018 BC Building Code.

Some Recent Projects Impacted

Several recent projects have raised the issue of the adequacy of the current maximum financial incentives of \$ 50,000.00 for BIP and PIP to encourage conservation and especially seismic upgrading. This is particularly the case on larger projects or buildings, and for those owners who want to do seismic or code upgrading.

The recent change to the 2018 BC Building Code, with its significant increase in performance standards for existing buildings in Victoria, is expected to make a dramatic impact on costs that is at present not quantifiable.

Smaller projects, phased projects, and buildings owned by single owners, non-profits, associations, etc, generally do not need more than \$50,000.00 in funding as in these situations the costs are either lower or the owners are self-limited by their ability to raise matching funds.

Examples of recent possible applications where the maximum amount of incentive is a concern are:

919 Douglas Street (Strathcona Hotel) Registry Status Building

The owner of this Heritage Registered building is considering whether to apply for Heritage Designation in order to access heritage incentives to financially assist with a major upgrade of the front façade. In a recent meeting with the City's acting heritage planner (Steve Barber) the owner determined that the timing did not work to apply for a tax exemption under the Tax Incentive Program – Non-Residential Uses. The owner is presently evaluating applications to the Building Incentive Program for window conservation and upgrading as well as the Parapet Incentive Program for seismic upgrading of the front parapet and cornice and re-pinning of terra cotta into the structure of the building front. The value of the incentives may make a difference to sway the decision in favour or against Heritage Designation.

550-554 Johnson Street (Strand Hotel Building) at Market Square

In 2018 the owner undertook an engineering study to evaluate seismic upgrading under PIP-DAG funding. Initially the owner wanted to upgrade the parapets and cornices on the building. During the application process the City of Victoria asked that the chimneys be included in the evaluation as they are listed as character-defining elements of the building. What was estimated to be a

Board Policy Discussion: BIP + PIP Maximum Funding

\$ 50,000.00 project increased to approximately \$ 150,000.00. The owner indicated that the project would need to be revisited and put on hold due to the increased costs. This is a project that would likely benefit from an increase in maximum PIP funding.

2110 Store Street (National Electric Tramway & Light Company Powerhouse Building)

In 2019 the owner undertook an engineering study to evaluate seismic upgrading under PIP-DAG funding. This industrial building does not require seismic upgrading if its present use is maintained, however the owner expressed interested in improving the public safety of the building by seismically upgrading the parapets and potentially the oversized chimney stack. In the course of engineering studies of the building it is estimated that the preliminary cost of seismically upgrading the chimney is upwards of \$ 100,000.00, which the owner finds cost prohibitive with the current available incentives. This is a project that would likely benefit from an increase in maximum PIP funding.

City of Victoria - Downtown Core Area Plan

Below is the full list of recommendations for Heritage Incentives – Policies and Actions in chapter 7 Heritage in the Downtown Core Area Plan (2011):

- 7.29. Continue and enhance incentives for heritage conservation such as, tax incentives, parking variances and other zoning variances, where broadly consistent with the policies for each District of the Downtown Core Area that are provided in this Plan.
- 7.30. Maintain and develop financial incentives for building rehabilitation, particularly seismic upgrading, for eligible heritage-designated commercial, institutional, industrial and residential property in the Downtown Core Area.
- 7.31. Consider expanding the northern boundary of the eligibility area for heritage tax incentives to include the Rock Bay District, where the building rehabilitation does not involve the conversion of an existing use to a residential use.
- 7.32. Explore the financial impacts and overall feasibility of extending the duration of heritage tax incentives from a maximum of 10 years to a maximum of 15 years.
- 7.33. Implement the Downtown Heritage Resource Seismic Upgrade Fund for conservation of eligible designated-heritage property as a public benefit under conditions that are broadly described in this Plan.

Downtown Heritage Resource Seismic Upgrade Fund

The City of Victoria Downtown Core Area Plan (2011) identified the implementation of a Downtown Heritage Resource Seismic Upgrade Fund in chapter 7 Heritage – see 7.33 above. It is understood that some funds may have accumulated since the Downtown Core Area Plan was adopted.

City of Vancouver's New Heritage Incentive Programs

Until this year the City of Victoria's heritage programs were considered to lead British Columbia and to be one of the best in Canada. With the approval of three new well-resourced citywide heritage incentive programs in April 2019, the City of Vancouver has positioned itself to more seriously address the issues of heritage conservation and seismic upgrading of heritage resources:

Heritage Incentive Program (HIP)

The Heritage Incentive Program provides grants up to a maximum of \$ 4 million per building for heritage conservation and seismic upgrades of commercial and non-commercial buildings that are on the Vancouver Heritage Register and protected by the heritage designation bylaw. The HIP

Board Policy Discussion: BIP + PIP Maximum Funding

replaces the Heritage Building Rehabilitation Program which expired in 2015, and is available citywide.

HIP also provides the option of transferring density for any new heritage designation sites in Gastown, Chinatown, Victory Square, and the Hastings Street Corridor, the areas with the highest concentration of heritage buildings in Vancouver. The program will be funded through Community Amenity Contributions from new developments. The annual budget will be brought forward as part of the Capital Budget process based on available funding.

Heritage Façade Rehabilitation Program (HFRP)

The Heritage Façade Rehabilitation Program, which was first introduced in 2003 for sites in Gastown, Chinatown, and the Hastings Street Corridor, is now expanded to be citywide. The program provides grants of up to \$ 50,000.00 for the rehabilitation and seismic stabilization of the façades of registered heritage buildings.

Eligible work includes ground floor storefront conservation and seismic stabilization of major architectural components, as well as conservation of building envelope materials, windows, doors, historic signs, and awnings, and architectural lighting. The program will be funded through the 2019-2022 Capital Plan with a budget of \$1.2 million.

Heritage House Conservation Program (HHCP)

The Heritage House Conservation Program is a citywide program that supports heritage conservation of privately owned single or two-family buildings, small apartment buildings, multi-family conversions or similar buildings that are primarily wood-framed. Grants of up to 50% of the eligible cost provide for exterior heritage elements, designated interior elements, structural, envelope and infrastructure work, as well as accessibility and other related work.

The HHCP program is managed through the Vancouver Heritage Foundation for an initial period of four years (2019-2022), building on the conservation grants offered by VHF since 1999. The program's \$1.2 million budget will come from the 2019-2022 Capital Plan.

2.4 BUDGET

BIP Budget History & Funding Amounts

Since 1990 when BIP began operating, the maximum matching funds have been \$ 50,000.00 (except in 1999-2000 – see below). The BIP fund was created with an initial allocation of \$ 704,160.00 from City of Victoria from its sale of Broad Street to the Cadillac Fairview Corporation. No further allocation of BIP funds was provided by the City until 1994 when the initial BIP fund was depleted. In 1994 the City of Victoria began to provide annual BIP Capital funds, in the amount of \$ 93,500.00 from 1994-1999.

In 1999-2000 the maximum matching funds under BIP were temporarily reduced from \$ 50,000.00 to \$ 25,000.00 due to demand, based on the available budget. In 2000-2005, the City of Victoria increased the annual "top up" of BIP Capital funds from \$ 93,500.00 to \$ 193,500.00. In 2006 the BIP Capital fund was increased to \$ 300,000.00 and in 2007 it was increased to \$ 370,000.00 based on projections of actual demand.

In 2008 the VCHT made a presentation to Council regarding its work, and about the Building Incentive Program in particular. Following this presentation, the City of Victoria increased the annual "top up" of BIP Capital funds to \$ 420,000.00 with a request that the VCHT Board begin to set aside BIP funds annually to build up a funding reserve. The annual BIP Capital funds from City of Victoria have remained unchanged since 2008 in the amount of \$ 420,000.00.

Board Policy Discussion: BIP + PIP Maximum Funding

Current Program Budgets

Below are calculations of current program fund balances:

BIP Fund		PIP Fund		BIP/TIP Expenses	
\$ 916,696.21	Existing Balance	\$ 325,041.96	Existing Balance	\$ 20,000.00	2019 Budget
\$ 420,000.00	CoV 2019 Capital			(\$ 5,029.05)	2019 Expenses
<u>(\$20,000.00)</u>	<u>BIP/TIP Expenses</u>				
\$1,316,696.21	Current Budget	\$ 325,041.96	Current Budget	\$ 14,971.95	Current Budget

3.0 POSSIBLE OPTIONS FOR DISCUSSION

Below are three strategic options for discussion. Each option includes a budget for smaller projects and a reserve of funds, as well as moving some money from the BIP Fund to the PIP Fund.

- Increase Maximum BIP & PIP Funds to \$ 100,000.00** on a one-year trial basis to evaluate effectiveness and demand with an aim to seek additional Capital funds in 2021:

BIP Fund		PIP Fund	
\$ 1,316,696.21	Current BIP Budget	\$ 325,041.96	Current Budget
<u>(\$ 200,000.00)</u>	<u>Move to PIP Fund</u>	<u>\$ 200,000.00</u>	<u>From BIP Fund</u>
\$ 1,116,696.21	BIP Budget	\$ 525,041.96	PIP Budget
\$ 316,696.21	Budget for smaller projects + BIP Budget reserve	\$ 125,041.96	Budget for smaller projects + PIP Budget reserve
\$ 800,000.00	8 projects @ \$ 100,000 ea	\$ 400,000.00	4 projects @ \$ 100,000 ea

- Increase Maximum BIP & PIP Funds to \$ 75,000.00** on a one-year trial basis to evaluate effectiveness and demand with an aim to seek additional Capital funds in 2021:

BIP Fund		PIP Fund	
\$ 1,316,696.21	Current BIP Budget	\$ 325,041.96	Current Budget
<u>(\$ 150,000.00)</u>	<u>Move to PIP Fund</u>	<u>\$ 150,000.00</u>	<u>From BIP Fund</u>
\$ 1,166,696.21	BIP Budget	\$ 475,041.96	PIP Budget
\$ 416,696.21	Budget for smaller projects + BIP Budget reserve	\$ 175,041.96	Budget for smaller projects + PIP Budget reserve
\$ 750,000.00	10 projects @ \$ 75,000 ea	\$ 300,000.00	4 projects @ \$ 75,000 ea

- Maintain Maximum BIP & PIP Funds at \$ 50,000.00** with or without plans to seek future increase in Capital funds:

BIP Fund		PIP Fund	
\$ 1,316,696.21	Current BIP Budget	\$ 325,041.96	Current Budget
<u>(\$ 150,000.00)</u>	<u>Move to PIP Fund</u>	<u>\$ 150,000.00</u>	<u>From BIP Fund</u>
\$ 1,166,696.21	BIP Budget	\$ 475,041.96	PIP Budget
\$ 416,696.21	Budget for smaller projects + BIP Budget reserve	\$ 175,041.96	Budget for smaller projects + PIP Budget reserve
\$ 750,000.00	15 projects @ \$ 50,000 ea	\$ 300,000.00	6 projects @ \$ 50,000 ea

Board Policy Discussion: BIP + PIP Maximum Funding

4.0 POTENTIAL RECOMMENDATIONS

Potential recommendations include the following, or a variation thereof:

1. Increase the maximum funding amount for the Building Incentive Program from \$ 50,000.00 per building to \$ 100,000.00 (or \$ 75,000.00) per building on a trial basis for one year from July 2019 to June 2020 (or September 2019 to August 2020).
2. Extend the Parapet Incentive Program to continue operating on a pilot basis for an additional two years to December 2021 and re-allocate \$ 200,000.00 (or \$ 100,000.00) from the BIP Fund to the PIP Fund.
3. Increase the maximum funding amount for the Parapet Incentive Program from \$ 50,000.00 per building to \$ 100,000.00 (or \$ 75,000.00) per building on a trial basis for one year from July 2019 to June 2020 (or September 2019 to August 2020).
4. Consider also increasing the maximum amount of BIP Design Assistance Grant and PIP Design Assistance Grant funding.
5. Maintain a budget for smaller projects and reserve of funds in all programs.
6. Engage a cost consultant within the next year to prepare a more detailed analysis of costs and the value of incentives applied against increasing construction costs, particularly with regard to projected seismic upgrading costs related to the 2018 BC Building Code.
7. Within the next year consult with and involve building owners, Council appointees and other Councillors, and City staff to prepare a case for increased levels of incentive for budget submission in 2021.



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July 11, 2019

Project: P190711NC

Victoria Civic Heritage Trust
vcht@shaw.ca
<http://heritagevictoria.org>
 Victoria BC

Attention: Catherine Umland
 Executive Director

Dear Catherine:

Re: Victoria Construction Market

Further to our recent telephone discussion regarding the construction cost increases in the Victoria construction market since 1990, we can provide the following.

This has been developed in conjunction with John Granger, former Principal of Advicas Group, drawing on his extensive knowledge of the Victoria Construction market going back to 1982.

1st Quarter	1990	to 1st Quarter	1998	2.00%
	1998		1999	1.00%
	1999		2000	1.50%
	2000		2001	2.00%
	2001		2002	2.50%
	2002		2003	5.00%
	2003		2004	15.00%
	2004		2005	10.00%
	2005		2006	10.00%
	2006		2007	10.00%
	2007		2008	10.00%
	2008		2009	-15.00%
	2009		2010	0.00%
	2010		2011	-10.00%
	2011		2012	1.00%
	2012		2013	1.50%
	2013		2014	2.00%
	2014		2015	2.50%
	2015		2016	3.00%
	2016		2017	10.00%
	2017		2018	10.00%
	2018		2019	10.00%
1st Quarter	2019	to 1st Quarter	2020	10.00%
Total Increase		1990 to 2019 30 years		94.00%

Please recognize that the above period from 1990 to 2018 represents Advicas's best interpretation of evolving market conditions, seen through working on some 150 projects per year, a major portion of which are on Vancouver Island. This work has included

ongoing discussions with local sub trades and suppliers on appropriate pricing levels, discussion with industry representatives on market trends, and analysis of tender results.

It is common knowledge that Vancouver Island was not immune to the major market downturn and saw a major correction in market price levels during the latter part of 2008 and early 2009. A further downward correction occurred in Spring 2010, driven by pressure on pricing levels from mainland contractors pursuing work on the Island.

Since the downturn of 2008/2009 there has been a slow recovery, culminating in 2015, to a return to the Island historical escalation norm of 3 to 4% per annum. Since early 2016 the market has undergone a further major change. Construction activity has accelerated with numerous major projects under construction, bringing with it an inherent labour shortage, saturation of current work force, and an upward pressure on market price levels.

Based on the above favorable market trend, we are anticipating a sustained short-term increase in market price level of 10% per annum for 2019 and 2020. For 2021 we are predicting a possible market correction like 2008.

To provide for market price increases over an extended future time period, beyond 1st Quarter 2022, we would recommend applying the Island historical norm of 3 to 4% per annum compounded.

As a caveat, the above denotes Advicas's in-house record of market price increases determined, collectively, over the past 37-year period, and beyond. While we stand by our record, there is no definitive published document confirming these numbers, and as such they are obviously open to others, individual or companies', interpretation of market price movements over that same period.

Should you wish to discuss further, please do not hesitate to contact me.

Yours truly
per: Advicas Group Consultants Inc.



Francis Yong, BSc, PQS
Principal

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Historical Cost Indexes

The table below lists both the RSMMeans® historical cost index based on Jan. 1, 1993 = 100 as well as the computed value of an index based on Jan. 1, 2019 costs. Since the Jan. 1, 2019 figure is estimated, space is left to write in the actual index figures as they become available through the quarterly RSMMeans Construction Cost Indexes.

To compute the actual index based on Jan. 1, 2019 = 100, divide the historical cost index for a particular year by the actual Jan. 1, 2019 construction cost index. Space has been left to advance the index figures as the year progresses.

Year	Historical Cost Index Jan. 1, 1993 = 100		Current Index Based on Jan. 1, 2019 = 100		Year	Historical Cost Index Jan. 1, 1993 = 100		Current Index Based on Jan. 1, 2019 = 100		Year	Historical Cost Index Jan. 1, 1993 = 100		Current Index Based on Jan. 1, 2019 = 100	
	Est.	Actual	Est.	Actual		Actual	Est.	Actual	Actual		Est.	Actual		
Oct 2019*					July 2004	143.7	63.2			July 1986	84.2	37.1		
July 2019*					2003	132.0	58.1			1985	82.6	36.3		
April 2019*					2002	128.7	56.6			1984	82.0	36.1		
Jan 2019*	227.3		100.0	100.0	2001	125.1	55.0			1983	80.2	35.3		
July 2018		222.9	98.1		2000	120.9	53.2			1982	76.1	33.5		
2017		213.6	94.0		1999	117.6	51.7			1981	70.0	30.8		
2016		207.3	91.2		1998	115.1	50.6			1980	62.9	27.7		
2015		206.2	90.7		1997	112.8	49.6			1979	57.8	25.4		
2014		204.9	90.1		1996	110.2	48.5			1978	53.5	23.5		
2013		201.2	88.5		1995	107.6	47.3			1977	49.5	21.8		
2012		194.6	85.6		1994	104.4	45.9			1976	46.9	20.6		
2011		191.2	84.1		1993	101.7	44.7			1975	44.8	19.7		
2010		183.5	80.7		1992	99.4	43.7			1974	41.4	18.2		
2009		180.1	79.2		1991	96.8	42.6			1973	37.7	16.6		
2008		180.4	79.4		1990	94.3	41.5			1972	34.8	15.3		
2007		169.4	74.5		1989	92.1	40.5			1971	32.1	14.1		
2006		162.0	71.3		1988	89.9	39.5			1970	28.7	12.6		
▼ 2005		151.6	66.7		▼ 1987	87.7	38.6			▼ 1969	26.9	11.8		

Adjustments to Costs

The "Historical Cost Index" can be used to convert national average building costs at a particular time to the approximate building costs for some other time.

Example:

Estimate and compare construction costs for different years in the same city.

To estimate the national average construction cost of a building in 1970, knowing that it cost \$900,000 in 2019:

INDEX in 1970 = 28.7

INDEX in 2019 = 227.3

Time Adjustment Using the Historical Cost Indexes:

$$\frac{\text{Index for Year A}}{\text{Index for Year B}} \times \text{Cost in Year B} = \text{Cost in Year A}$$

$$\frac{\text{INDEX 1970}}{\text{INDEX 2019}} \times \text{Cost 2019} = \text{Cost 1970}$$

$$\frac{28.7}{227.3} \times \$900,000 = .126 \times \$900,000 = \$113,400$$

The construction cost of the building in 1970 was \$113,400.

Note: The city cost indexes for Canada can be used to convert U.S. national averages to local costs in Canadian dollars.

Example:

To estimate and compare the cost of a building in Toronto, ON in 2019 with the known cost of \$600,000 (US\$) in New York, NY in 2019:

INDEX Toronto = 110.1

INDEX New York = 132.1

$$\frac{\text{INDEX Toronto}}{\text{INDEX New York}} \times \text{Cost New York} = \text{Cost Toronto}$$

$$\frac{110.1}{132.1} \times \$600,000 = .834 \times \$600,000 = \$500,076$$

The construction cost of the building in Toronto is \$500,076 (CN\$).

$$\frac{227.3}{94.3} = 2.41 \times \$50,000.00 = \$120,500.00$$

*Historical Cost Index updates and other resources are provided on the following website:
<http://info.thegordiangroup.com/RSMMeans.html>



Downtown Core Area Plan

SEPTEMBER 2011





INTRODUCTION

Heritage conservation is about retaining places that matter to the community for physical qualities, and in relation to both collective memory and contemporary uses. Its purpose is to retain, protect and improve real property with aesthetic, historic, scientific, cultural, social or spiritual value, and heritage character, as a public benefit.

This Plan seeks to continue to strike a balance between heritage conservation and new development as the Downtown Core Area grows significantly over the next thirty years. Its heritage policies seek to provide guidance that builds on Victoria's achievements in heritage protection, sensitive infill and new additions. The Plan guides changes to the historic environment as a consideration in placemaking at varying scales, from Heritage Conservation Areas, to streetscapes and open spaces, to buildings and sites. Policies also identify incentives and community engagement to help conserve the heritage value of Downtown Core Area Districts.

HERITAGE – DOWNTOWN CORE AREA

Much of the picturesque quality of Victoria is associated with its conservation areas and landmarks, some of which date from early colonial settlement. Since the 1970s, policies have encouraged new development in the Downtown Core Area through sensitive infill and new additions, while retaining and enhancing the heritage value and unique character of special places, such as Bastion Square, Centennial Square and Chinatown National Historic District.

The Downtown Core Area contains more than 200 heritage properties, including those identified as landmarks in this Plan such as the Provincial Parliament Buildings, Empress Hotel and Canadian Pacific Railway Steamship Terminal (SEE MAP 33). The Historic Commercial District is generally characterized by a "saw tooth" one-to-five storey skyline of Victorian and Edwardian architecture, which partially extends into the Inner Harbour District. Heritage is also a significant element of the character of the Central Business District and Residential Mixed-Use District, where there is a cluster of church spires on and near Quadra Street. The Rock Bay District contains the majority of the last remaining early industrial buildings.

HERITAGE – OBJECTIVES

The heritage policies that are contained in this Plan seek to retain and enhance the presence and heritage value, character of areas, districts, streetscapes, open spaces, buildings, sites and features in the Downtown Core Area. Collectively these policies address the following objectives:

1. Retain, protect and improve real property with aesthetic, historic, scientific, cultural, social or spiritual value and heritage character as a benefit to the public.
2. Development and heritage conservation are balanced through sensitive new infill and property additions that respond to the heritage value and character of Downtown Core Area Districts.
3. Heritage conservation and urban design are integrated in streetscapes and open spaces in beautification, arts and cultural programming and public history initiatives.

MAP 33

**Downtown Core Area
Properties Listed on the
City of Victoria Heritage
Register**

(Properties identified as of May 31,
2011. Map is subject to change)

-  Downtown Core Area
-  Registered Heritage Property
-  Designated Heritage Property



Disclaimer: This map is intended for illustrative purposes only and is subject to change. Please contact the City of Victoria for up-to-date information related to the status and location of heritage property.

4. Properties with heritage value are identified and selected for retention and protection through community engagement.
5. City of Victoria support for the conservation and celebration of properties with heritage value is maintained and enhanced.

AREAS AND DISTRICTS – POLICIES AND ACTIONS

- 7.1 Refer to the applicable design guidelines in rezoning and permit review processes in Development Permit Areas and Heritage Conservation Areas, where these are regulated and controlled within the Downtown Core Area.
- 7.2 Continue to balance the demand for new development and heritage conservation in the Downtown Core Area.
- 7.3 Conserve heritage values of the Downtown Core Area and its character-defining elements, such as individual buildings, collections of buildings, streetscapes, structures and features.
- 7.4 Maintain, develop and enhance urban design guidelines for exterior alterations, new additions and infill development within Heritage Conservation Areas and, where relevant, Development Permit Areas, in the Downtown Core Area.
- 7.5 Produce and update, as required, Statements of Significance for Heritage Conservation Areas within the Downtown Core Area.
- 7.6 Continue to support zoning in the Historic Commercial District and Inner Harbour District that contributes to conservation of heritage values in these areas.
- 7.7 Continue to support the conversion of the upper storeys of heritage-designated property from non-residential uses to residential uses in strategic locations within the Downtown Core Area that serve to support the policies of this Plan.
- 7.8 Continue to support the rehabilitation of heritage-designated property that is non-residential such as office and hotel, in strategic locations within the Downtown Core Area that serve to support the policies of this Plan.
- 7.9 Retain some capacity for small-scale office use in the upper storeys of properties in the Historic Commercial District.
- 7.10 Continue to identify, protect and conserve heritage property and areas in the Residential Mixed-Use District, particularly the landmarks on and near Quadra Street, as identified in this Plan.
- 7.11 Identify, protect and conserve industrial heritage property in the Rock Bay District.

STREETSCAPES AND OPEN SPACE – POLICIES AND ACTIONS

- 7.12 Maintain lower scale building forms along the waterfront adjacent to Store Street, Wharf Street, Government Street and Belleville Street, and in these locations support new development with form and character that enhances the heritage value of the Historic Commercial District.
- 7.13 Maintain and enhance the existing network of through-block walkways in the Historic Commercial District, with special consideration of the heritage value of public and public-private open spaces in the Chinatown National Historic District.
- 7.14 Enhance the place character of Downtown Core Area Districts by celebrating heritage through urban design features such as art, banners, street furniture, lighting and plantings.
- 7.15 Seek opportunities to acknowledge and integrate the culture, values and heritage of First Peoples in design and celebration of public space, particularly in the Historic Commercial District and the Inner Harbour District.
- 7.16 Work with diverse partners on public history projects through improvements on public lands, and private lands, such as plaques, banners, installations and interpretative displays.
- 7.17 Continue to support festivals, celebrations and special events at major open spaces in the Historic Commercial District and Inner Harbour District including Bastion Square, Centennial Square (Spirit Square) and along the waterfront.

BUILDINGS AND SITES – POLICIES AND ACTIONS

- 7.18 Support new development that conserves and enhances the form, character and features of heritage property and areas, where controlled and regulated in the Downtown Core Area.
- 7.19 Give consideration to tools available under legislation to conserve heritage property in the Downtown Core Area, including, but not limited to heritage designation bylaws, heritage register listings, temporary protection, heritage alteration permits, heritage revitalization agreements, design guidelines and protection of views of heritage landmarks from public vantage points as identified in this Plan.
- 7.20 Continue to work with the private sector to identify, protect and conserve property and areas with heritage value in the Downtown Core Area.

- 7.21.** Require a Heritage Conservation Plan, as appropriate, and heritage impact assessment, if relevant, where heritage alteration permits, heritage revitalization agreements or rezonings that involve a protected heritage property in the Downtown Core Area.
- 7.22.** Encourage new development to avoid the demolition of a protected heritage property, or one or more of its facades, where the exterior alterations are assessed to significantly damage the heritage value of the property or an area, and where facade retention is feasible in conjunction with other policies for Downtown Core Area Districts in this Plan.
- 7.23.** Increases to density either through a rezoning application or through the provisions of the density bonus system described in this Plan should not be supported for any parcel or site where a heritage property has been demolished.
- 7.24.** Real property that is, or was, subject to a heritage designation bylaw or that is listed on the City of Victoria Heritage Register is ineligible for the density bonus provisions in this Plan.
- 7.25.** Accumulate information about seismic conditions of all property with heritage value or character in the Downtown Core Area, particularly the landmarks identified in this Plan, and property in the Historic Commercial District and Inner Harbour District.
- 7.26.** Encourage owners of property with heritage value or character in the Downtown Core Area, particularly landmarks or those in the Historic Commercial District and Inner Harbour District, to upgrade the seismic conditions of buildings and structures.
- 7.27.** Evaluate the heritage value of public and private property in the Downtown Core Area, and propose new additions to the Heritage Register based on their significance.
- 7.28.** Produce and update, as required, Statements of Significance for properties listed on the Heritage Register in the Downtown Core Area.

HERITAGE INCENTIVES – POLICIES AND ACTIONS

- 7.29.** Continue and enhance incentives for heritage conservation such as, tax incentives, parking variances and other zoning variances, where broadly consistent with the policies for each District of the Downtown Core Area that are provided in this Plan.
- 7.30.** Maintain and develop financial incentives for building rehabilitation, particularly seismic upgrading, for eligible heritage-designated commercial, institutional, industrial and residential property in the Downtown Core Area.
- 7.31.** Consider expanding the northern boundary of the eligibility area for heritage tax incentives to include the Rock Bay District, where the building rehabilitation does not involve the conversion of an existing use to a residential use.
- 7.32.** Explore the financial impacts and overall feasibility of extending the duration of heritage tax incentives from a maximum of 10 years to a maximum of 15 years.
- 7.33.** Implement the Downtown Heritage Resource Seismic Upgrade Fund for conservation of eligible designated-heritage property as a public benefit under conditions that are broadly described in this Plan.

COMMUNITY ENGAGEMENT – POLICIES AND ACTIONS

- 7.34.** Engage the public and private sectors including property owners, businesses, organizations, groups and citizens in the Downtown Core Area in local area plan studies to identify locations, buildings, structures and features with heritage value, and ways to conserve and celebrate them.
- 7.35.** Continue to work with the public and private sectors, organizations, groups and citizens to celebrate Victoria's culture and heritage in public realm improvements and festivals and special events, particularly in the Historic Commercial District and Inner Harbour District.
- 7.36.** Partner with the Songhees and Esquimalt First Nations to acknowledge and integrate the culture, values and heritage of First Peoples in the Downtown Core Area, particularly in the Historic Commercial District and Inner Harbour District.

**VCHT AMOUNTS RECEIVED FROM CITY OF VICTORIA
1999-2019**

	BIP Capital Funds	Operating Funds	Total	Operating CoL	
1999	\$93,500.00	\$84,000.00	\$177,500.00	0	
2000	\$93,500.00	\$84,000.00	\$177,500.00	0	
2001	\$193,500.00	\$91,000.00	\$284,500.00	7.7% increase	
2002	\$193,500.00	\$92,820.00	\$286,320.00	2% increase	
2003	\$193,500.00	\$92,820.00	\$286,320.00	0	
2004	\$193,500.00	\$94,675.00	\$288,175.00	2% increase	
2005	\$193,500.00	\$95,625.00	\$289,125.00	1% increase	
2006	\$300,000.00	\$97,500.00	\$397,500.00	1.96% increase	
2007	\$370,000.00	\$99,450.00	\$469,450.00	2% increase	
2008	\$420,000.00	\$101,440.00	\$521,440.00	2% increase	
2009	\$420,000.00	\$101,440.00	\$521,440.00	0	
2010	\$420,000.00	\$103,470.00	\$523,470.00	2% increase	1
2011	\$420,000.00	\$103,470.00	\$523,470.00	0	2
2012	\$420,000.00	\$103,470.00	\$523,470.00	0	3
2013	\$420,000.00	\$103,470.00	\$523,470.00	0	4
2014	\$420,000.00	\$103,470.00	\$523,470.00	0	5
2015	\$420,000.00	\$105,550.00	\$525,550.00	2% increase	
2016	\$420,000.00	\$107,650.00	\$527,650.00	2% increase	
2017	\$420,000.00	\$109,814.22	\$529,814.22	2% increase	
2018	\$420,000.00	\$112,000.00	\$532,000.00	2% increase	
2019	\$420,000.00	\$114,250.00	\$534,250.00	2% increase	

Board Policy Discussion: DAG + PIP-DAG Maximum Funding

1.0 GENERAL INFORMATION

Policy:	DAG + PIP-DAG Maximum Funding Amount
Adopted:	DAG (50%) under BIP to \$1,000.00 in 1995; DAG (50%) increased to \$2,000.00 in 2009; PIP-DAG (75%) to \$3,000.00 in 2015 under BIP on a trial basis
Discussion:	Whether to increase the maximum funding amount for DAG + PIP-DAG
Amounts:	Existing DAG Maximum = \$2,000.00 (50%-50% matching funds) Existing PIP-DAG Maximum = \$3,000.00 (75%-25% co-funding)

2.0 DISCUSSION OVERVIEW

2.1 BACKGROUND

The Victoria Civic Heritage Trust (VCHT) was established by the City of Victoria in 1989 as a civic vehicle to administer Building Incentive Program (BIP) funding for the conservation of Victoria's heritage commercial, industrial, institutional and apartment buildings. BIP was established with a maximum matching funding amount of \$50,000.00 per building. Since 1998 the VCHT has also assisted with the City's Heritage Tax Incentive Program (TIP). After a three year research phase, the VCHT launched the Seismic Parapet Incentive Program (PIP) in 2015 to address seismic upgrading of falling hazards and to improve public safety in downtown heritage buildings.

2.2 1995-2008 Preliminary Design Assistance Grant (DAG) \$1,000.00

Matching funds under BIP from the beginning included general consultant fees as an eligible cost within the \$50,000.00 funding maximum. The first BIP funding award was approved by the VCHT Board in December 1989. Twenty-six downtown heritage buildings received BIP funding award approvals through to 1994. In 1994 a large project required an undue amount of involvement by the Board and staff. This was attributed to the owner not engaging a consultant at the beginning to assist with a proper evaluation and definition of a scope of work for the project.

In March 1995 the VCHT Board approved a motion to establish 50% Design Assistance Grants, funded under BIP, as a 50%-50% matching funding award to a **maximum of \$1,000.00** for professional fees on projects in the early stage for making application for exterior conservation work. It was felt in order to promote quality applications and work, it was worth the expenditure of BIP funds to encourage applicants to seek professional advice at the beginning of the project. It was deemed at that time that \$1,000.00 was an amount likely sufficient to help owners to initiate preliminary work with a professional, on the assumption that other consultant work would be eligible under a BIP application.

See attached Preliminary DAG program description. The purpose of the Preliminary DAG was to provide financial assistance to eligible property owners to engage professionals toward preparing an application for conservation work under BIP, including but not limited to:

- architectural, engineering, and/or heritage consultant services
- preliminary design drawings
- preparation of scope of work
- preliminary cost estimates

In 1995 it was assumed that the Preliminary DAG would be used by owners mostly to engage heritage consultants for design services. The program guidelines were intentionally broad in scope to allow owners and their consultants to determine the most appropriate use of funds for whatever services best suited the needs of the project. Over time the nature of consultant services evolved with the type of conservation projects being done. Examples of eligible services since 1995 have included feasibility studies, design, scope of work, cost estimating, research, materials testing, specifications, as well as specialized consultant services such as preliminary engineering or masonry evaluations, etc.

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The first Preliminary DAG was awarded in May 1995 (see attached 1995-2019 Data Summary). From May 1995 to December 2009, **35 DAGs** were approved, plus 1 application that was withdrawn and 1 application that expired. In that thirteen year period **\$34,985.00** in DAG funds were approved toward **\$133,022.51** in consultant fees, yielding a ratio of private to public expenditure of **\$3.80 : \$1.00**.

Below is a summary of approved DAG amounts and estimated consultant fees for 1995-2008:

1995-2008	Average DAG	\$999.57	35 DAGs + 1 Withdrawn + 1 Expired	
\$1,000.00 DAG	Avg Consultant Fee	\$3,800.64		
	Lowest DAG Paid	\$249.76		
	Lowest Est Fees	\$500.00		
	Highest Est Fees	\$15,120.00		

Below is a breakdown of the range of consultant fees by number of projects/percentages for 1995-2008:

1995-2008	\$0-\$2,000	11	31.5%	31.5%
Consultant Fees	\$2,001-\$5,000	16	46.0%	46.0%
	\$5,001-\$10,000	6	17.0%	
	\$10,000-\$15,120	2	5.5%	
		35	100.0%	77.5%

2.3 2009-2019 Design Assistance Grant (DAG) **\$2,000.00**

In February 2009 the VCHT Board increased the **maximum DAG funds to \$2,000.00** (50% matching) in recognition that after thirteen years the \$1,000.00 maximum initially set for DAG was not keeping pace with increasing preliminary consultant fees on some projects. See attached DAG program description.

The first DAG at the increased maximum of \$2,000.00 was awarded in March 2009 (see attached 1995-2019 Data Summary). From March 2009 to October 2019, **34 DAGs** were approved, plus 2 applications that were withdrawn and 2 applications that expired. In that ten year period **\$60,555.90** in DAG funds were approved toward **\$196,337.38** in consultant fees, yielding a ratio of private to public expenditure of **\$3.24 : \$1.00**.

Below is a summary of approved DAG amounts and estimated consultant fees for 2009-2019:

2009-2019	Average DAG	\$1,780.06	34 DAGs + 2 Withdrawn + 2 Expired	
\$2,000.00 DAG	Avg Consultant Fee	\$5,774.63		
	Lowest DAG Paid	\$412.50		
	Lowest Est Fees	\$825.00		
	Highest Est Fees	\$20,000.00		

Below is a breakdown of the range of consultant fees by number of projects/percentages for 2009-2019:

2009-2019	\$0-\$2,000	3	8.8%	
Consultant Fees	\$2,001-\$5,000	18	53.0%	53.0%
	\$5,001-\$10,000	9	26.5%	26.5%
	\$10,001-\$15,000	1	2.9%	
	\$15,001-\$20,000	3	8.8%	
		34	100.0%	79.5%

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A further breakdown of data is provided below for 2009-2019 with the DAG maximum at \$2,000.00, based on the first 5 year period in 2009-2014 compared to the last 5 year period in 2015-2019:

2009-2014 First 5 Years at \$2,000	DAG Stats 2009-2014	Average DAG	\$1,750.74	17 + 2 Withdrawn + 2 Expired		
		Avg Consultant Fee	\$6,755.59			
		Lowest DAG Paid	\$412.50			
		Lowest Est Fees	\$825.00			
		Highest Est Fees	\$20,000.00			
	Est'd Fees 2009-2014	\$0-\$2,000	2	12.0%		
		\$2,001-\$5,000	7	41.0%	41.0%	
	\$5,001-\$10,000	5	29.5%	29.5%		
	\$10,001-\$15,000	0	0.0%			
	\$15,001-\$20,000	3	17.5%			
		17	100.0%	70.5%		

2015-2019 Last 5 Years at \$2,000	DAG Stats 2015-2019	Average DAG	\$1,811.38	17 DAGs		
		Avg Consultant Fee	\$4,793.67			
		Lowest DAG Paid	\$750.00			
		Lowest Est Fees	\$1,500.00			
		Highest Est Fees	\$10,500.00			
	Est'd Fees 2015-2019	\$0-\$2,000	1	5.5%		
		\$2,001-\$5,000	11	65.0%	65.0%	
	\$5,001-\$10,000	4	24%	24.0%		
	\$10,001-\$15,000	1	5.5%			
	\$15,001-\$20,000	0	0.0%			
		17	100.0%	89.0%		

Even including the highest consultant fees as outliers, the data is consistent to show that for both 5 year periods of time the highest percentage of projects fall within the consultant fee range of 1) \$2,001-\$5,000 and 2) \$5,001-\$10,000.

2.4 2015-2019 Parapet Incentive Program - Design Assistance Grant (PIP-DAG) \$3,000.00

In December 2012 the VCHT Board approved the start of a new program funded under BIP on a trial basis to encourage voluntary seismic upgrading of parapets, façade anchor connections, and seismic remediation of exterior falling hazards on eligible protected downtown heritage buildings, especially URM (un-reinforced masonry) construction. The program start followed two years of Master's level student

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study and VCHT subcommittee work, which confirmed the need for voluntary seismic upgrading in downtown Victoria as well as the cost-benefit of seismic remediation of parapets, façades, and exterior falling hazards to provide the best “bang for the buck” as a first step to seismically upgrade a building and to increase public safety in the event of an earthquake.

An enhanced level of incentive at **75%-25% co-funding** to a **maximum of \$50,000.00** was approved for PIP to actively encourage program uptake. A target area was identified for streets and arterial routes near the Johnson Street Bridge, however downtown buildings in other areas were also permitted to apply in recognition of the scope of seismic upgrading needs throughout the downtown.

The first PIP-DAG was awarded in March 2015. From March 2015 to October 2019, **6 PIP-DAGs** were approved. In that five year period **\$17,887.50** in PIP-DAG funds were approved toward **\$28,867.60** in consultant fees, yielding a ratio of private to public expenditure of **\$1.61 : \$1.00**.

Data is provided below for PIP-DAG from 2015-2019 with maximum funding up to \$3,000.00 based on \$4,000.00 in consultant fees (the same as BIP) with up to 75% VCHT co-funding and 25% owner co-funding. The actual percentage of the PIP-DAG funding award against the owner’s contribution varies depending on the total project cost. Larger projects with more expensive consultant fees sometimes result in the owner paying more than 25% and PIP-DAG funding being lower than 75%.

2015-2019 PIP-DAG 75% to \$3,000	PIP-DAG Stats	Average PIP-DAG Avg Consultant Fee	\$2,981.25	6 PIP-DAGs	
		Lowest PIP-DAG Paid	\$2,877.50		
		Lowest Est Fees	\$3,850.00		
		Highest Est Fees	\$7,017.60		
	Est'd Fees	\$0-\$4,000	1	16.5%	
	2015-2019	\$4,001-\$5,000	4	67.0%	67.0%
		\$5,001-\$7,017.60	1	16.5%	
		6	100.0%	67.0%	

2.5 MAXIMUM FUNDING AMOUNTS FOR BIP + PIP INCREASED TO \$100,000.00

In July 2019 the VCHT Board approved an increase for BIP from up to \$50,000.00 maximum in 50%-50% matching funds to up to \$100,000.00 maximum in 50%-50% matching funds, effective immediately. The VCHT Board also approved an increase for PIP from up to \$50,000.00 maximum in 75%-25% co-funding to up to \$100,000.00 maximum for 75%-25% co-funding, effective immediately.

The VCHT Board approved the doubling of the maximum funding award amounts to reflect actual cost increases that occurred since BIP started 30 years ago. The maximum amount of \$50,000.00 per building was established in 1989/1990 and had not been raised since that time largely due to concern that there was never a good time to seek a substantial increase in BIP Capital funds from City of Victoria. During this 30 year period inflation rose at the rate of 1.75 and local construction costs doubled. In effect the increase to \$100,000.00 in maximum funding in today’s dollars is equivalent in value to \$50,000.00 in maximum funding in 1989/1990 dollars.

In July 2019 the Board also passed two motions: 1) to request an increase from the City of Victoria in the 2020 budget for direct-award Capital funding for BIP; and, 2) within the next year, to prepare a

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comprehensive report for City of Victoria toward a possible further increase in 2021, including but not limited to, engaging a cost consultant to prepare an analysis of costs and the value of incentives applied against increasing construction costs, and costs related to the 2018 BC Building Code.

The City of Victoria's 2020 budget process is already underway. At its October 2019 meeting the VCHT Board is expected to review the 2020 budget for submission to the City of Victoria, including a request for an increase in Capital funds based on projected demand and costs using the new maximum amount of \$100,000.00 for BIP and PIP funding. These budget figures will need to be amended if there is a decision by the VCHT Board to change DAG and/or PIP-DAG maximum funding amounts.

3.0 POSSIBLE OPTIONS FOR DISCUSSION

As requested by the VCHT Board at its July 2019 meeting, the purpose of this report is to provide a follow up review of the maximum funding amounts for DAG and PIP-DAG in parallel to the maximum funding increases for BIP and PIP.

Below are three options for discussion with regard to DAG and/or PIP-DAG maximum funding amounts.

1. Maintain Maximum DAG Funds at \$2,000.00 + PIP-DAG Funds at \$3,000.00

Make no changes to DAG + PIP-DAG funding levels at the present time. Current projections for DAG + PIP-DAG funding awards in 2020 and 2021 without any increases are shown below.

DAG			PIP-DAG		
\$ 26,000.00	13 DAGs x \$2,000	2019/2020	\$ 12,000.00	4 DAGs x \$3,000	2019/2020
\$ 24,000.00	12 DAGs x \$2,000	2021	\$ 9,000.00	3 PIP-DAGs x \$3,000	2021
\$ 50,000.00	BIP Budget <i>base level</i>		\$ 21,000.00	PIP Budget <i>base level</i>	

2. Increase Maximum DAG Funds to \$3,000.00 + PIP-DAG Funds to \$4,500.00

Based on consultant costs in the past 5 years, assume the average consultant fee on BIP projects to be approximately \$6,000.00 x 50% = \$3,000.00 maximum for DAG funding. Assume the average consultant fee on PIP projects to be approximately \$6,000.00 x 75% = \$4,500.00 maximum for PIP-DAG funding. Current projections for DAG + PIP-DAG funding awards in 2020 and 2021 with these increases in maximum funding are shown below.

DAG			PIP-DAG		
\$ 39,000.00	13 DAGs x \$3,000	2019/2020	\$ 18,000.00	4 DAGs x \$4,500	2019/2020
\$ 36,000.00	12 DAGs x \$3,000	2021	\$ 13,500.00	3 PIP-DAGs x \$4,500	2021
\$ 75,000.00	BIP Budget <i>+\$25,000.00</i>		\$ 31,500.00	PIP Budget <i>+\$10,500.00</i>	

3. Consider a Two-Tier Approach to Maximum DAG + PIP-DAG Funding Levels for Smaller and Larger Projects

Current DAG and PIP-DAG maximum funding amounts appear to be generally adequate for smaller projects with consultant fees under \$5,000.00, whereas maximum funding for DAG and PIP-DAG may be considered inadequate on larger projects where consultant fees range from \$5,001.00-\$10,000.00 or more.

Below are cost impacts in 2020 and 2021 if maximum funding levels remain the same for DAG and PIP-DAG for consultant fees under \$5,000.00 but increase to funding awards up to \$5,000.00 on larger DAG and PIP-DAG projects where consultant fees are up to \$10,000.00.

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Some disadvantages of this option are 1) it is potentially the most costly option, 2) it favours larger projects, 3) it may push consultant fees up to take advantage of higher incentive levels, and 4) it may create more complex communication with owners and more administrative challenges.

Calculations below are based on the highest possible amounts of incentive for DAG and PIP-DAG under a two-tier approach, which in reality is not likely to occur on every project. These highest possible amounts are used for sake of comparison to demonstrate the potential differences from the other options provided above.

DAG	PIP-DAG
\$ 6,000.00 3 DAGs x \$2,000 2019/2020	\$ 3,000.00 1 PIP-DAGs x \$3,000 2019/20
\$ 50,000.00 10 DAGs x \$5,000 2019/2020	\$ 22,500.00 3 PIP-DAGs x \$7,500 2019/20
\$ 60,000.00 12 DAGs x \$5,000 2021	\$ 22,500.00 3 PIP-DAGs x \$7,500 2021
\$ 116,000.00 BIP Budget <i>+\$66,000.00</i>	\$ 48,000.00 PIP Budget <i>+\$27,000.00</i>