

BACKGROUND

In September 2019, City Council received a report on the 2018 Official Community Plan Annual Review, which updated Council on the City’s progress towards its Official Community Plan targets, and on money accrued in the Downtown Core Area Public Realm Improvement Fund and the Seismic Fund. The report recommended that Council direct staff to report back with recommendations on how to use the accrued funds. The Seismic Fund was created under the Downtown Core Area Plan’s (DCAP) density bonus system for the downtown area. The density bonus system enabled developers to acquire additional building floor area for their projects in exchange for a financial contribution to public amenities in the surrounding area. Eligible public amenities included parks, streetscape improvements, plazas and the heritage conservation in the form of seismic upgrades. The contribution was to be split between the Downtown Core Area Public Realm Improvement Fund (75%) and the Seismic Fund (25%). In the nine years it received contributions, the Seismic Fund grew slowly and accrued only \$150,411.00. The *Downtown Core Area Plan* included conditions for heritage buildings accessing the fund, however it was never used, possibly due to the small amount in the fund and the existence of very similar incentives from the VCHT. Unlike the more well established VCHT incentive programs, the DCAP did not specify maximum funding amounts, how applicants could apply to the fund or which types of seismic upgrades were eligible.

Contributions to the Seismic Fund

Below is a table of applications that have contributed to the Seismic Fund:

Contributions to the Heritage Seismic Upgrade Fund			
Year	Address	Application	Amount
2013	615-635 Fort Street	REZ00393- An application to construct a 4-storey office and retail building in Old Town with a density increased from 3:1 to 3:38:1	\$19,124.44
2015	836 Broughton Street	REZ00425- An application to permit an 11-storey, mixed use building with a density increased from 2:1 to 5:1	\$2,500.00
2016	960 and 962 Yates Street	REZ00463- An application to permit an 18-storey mixed-use building with a density increased from 3:1 to 5.5:1	\$65,437.50
2018	701 Belleville Street	REZ00513- An application for a 15-storey mixed-use building with a density increased from 1.2:0 to 4:1	\$59,321.32
<i>Interest Accrued 2014-2018</i>			\$4,028.00
TOTAL			\$150,411.26

Interest from 2019 has not yet been calculated and entered into the fund, however this will add to the amount. There is also a pending contribution which is not yet part of the fund because the City has not received it. The pending contribution relates to the re-zoning of 930 Fort Street. According to the rezoning report the developer is to contribute \$67,668.94 prior to the Building Permit being issued.

Victoria Civic Heritage Trust

Established by the City in 1989, the VCHT is a non-profit society that receives municipal funding to develop, administer and financially support programs that preserve, promote, interpret and enhance the cultural and natural heritage resources of the City of Victoria. It was originally established to administer the Building Incentive Program, with initial capital funding of \$704,160.00, which the City had received from the sale of Broad Street to Cadillac Fairview Corporation for the Bay Centre Development. The organization reviews and makes recommendations to City Council on applications to the City's Tax Incentive Program and administers the following financial grant and incentive programs to subsidize the rehabilitation of heritage designated commercial buildings across the City:

Building Incentive Program

The Building Incentive Program (BIP) was the first incentive program set up for the VCHT to administer in 1989. It is the most popular grant program and funds up to 50% of the cost of eligible heritage conservation work on designated commercial, industrial, institutional and apartment buildings across the City to a maximum of \$100,000. The amount was increased to \$100,000 in July 2019 to reflect the 94% increase in construction costs since 1990, when the maximum grant amount was \$50,000. In addition to funding conservation work, applicants can also apply for a Design Assistance Grant under the program to offset the cost of architectural and engineering services for the planned conservation work. Building improvement program design assistance grants can fund 50% of required consulting services up to a maximum of \$3,000.

Since its creation, 153 heritage buildings in Victoria have received \$6,245,995.00 in total grants, with corresponding private investment of \$155.50 million for a contribution factor of \$24.90 in private investment for every \$1 in public funding. Eligible heritage conservation work under the BIP include:

- architectural and engineering services
- cost estimates
- preparation of drawings
- approved cleaning of original building features
- appropriate painting
- restoration of significant architectural details
- removal of stucco or other inappropriate materials
- structural stabilization/roof repair/foundations
- building code improvements including mechanical or electrical systems
- energy efficiency upgrades like insulation or rehabilitation of windows.

Seismic Parapet Incentive Program

The Parapet Incentive Program (PIP) was created in 2015 under the umbrella of the BIP, to incentivize voluntary seismic upgrades to parapets, cornices and building facades on designated downtown heritage buildings. Building parapets on historic buildings often project several feet above the roofline of the building and are not secured to the building structure. In an earthquake, unsecured parapets are susceptible to collapse onto adjacent sidewalks. \$500,000 in BIP funds were initially set aside for PIP in 2015, of which \$325,041.96 currently remains.

PIP funds up to 75% of the cost of seismic upgrading work to a maximum of \$100,000. Similar to the BIP, applicants can also apply for a design assistance grant under PIP to fund up to 75% of the cost of preliminary engineering or architectural work to a maximum of \$4500.

ANALYSIS

Official Community Plan

The proposal to re-allocate the funds is consistent with the Official Community Plan (OCP), which states in Section 18: Emergency Management, “there is a 32% likelihood of a damaging earthquake event in the City before 2054”. Such a disaster is likely to require the demolition and extensive reconstruction of buildings and structures. As such, the OCP contains many policies urging the City’s decision makers to prepare for such an event and incentivize the seismic upgrading of existing buildings, including policies under Section 6: Land Management and Development:

6.10 Maintain and implement a detailed local area plan that supports the development of the Downtown Core Area, generally including those lands east and south of Victoria Harbour designated Urban Core on Map 2, as an economically vital, socially vibrant, and attractive mixed-use urban centre for the Capital Region by:

6.10.6 Introducing additional financial incentives to support and encourage the seismic upgrading of heritage buildings within the Downtown;

6.11 Maintain density bonus provisions to ensure that as the Downtown Core Area develops, public amenities are secured in the development process through either in-kind or monetary contributions to City funds with a focus on public realm improvements in the Downtown Core Area or the conservation and seismic upgrading of heritage properties.

It is consistent with policies under Section 14: Economy of the Official Community Plan including the following:

14.33 Continue to invest in the heritage character of the Downtown and other neighbourhoods through incentives for rehabilitation and seismic upgrades.

The recommended option is consistent with Section 18: Emergency Management of the Official Community Plan, including:

18.16 Continue incentives for seismic upgrades to owners of designated heritage property, and consider incentives for non-heritage properties.

Downtown Core Area Plan

The recommended option is consistent with the Downtown Core Area Plan (DCAP, 2011), which contains numerous policies encouraging the rehabilitation and seismic upgrading of historic buildings in the downtown. Transferring the Seismic Fund to the VCHT furthers this goal because it makes the money immediately available for use in a well known existing grant program aimed specifically at seismically upgrading the most publicly visible and vulnerable components of historic buildings, within the downtown. The DCAP contains the following policies related to the Seismic Fund:

4.24. Maintain the Downtown Heritage Buildings Seismic Upgrade Fund to assist in funding a portion of the cost of seismic upgrading as part of the re-use, retrofit and conservation of eligible heritage buildings within the Downtown Neighbourhood.

4.25. The City will allocate 25 percent of all density bonus monetary contributions that are received to the Downtown Heritage Buildings Seismic Upgrade Fund.

4.26. *Eligible heritage buildings must adhere to the following conditions:*

- 4.26.1. *Be located within the Downtown Neighbourhood and identified on the City of Victoria Heritage Register.*
- 4.26.2. *Complete the physical rehabilitation and seismic upgrading as stipulated within a Heritage Revitalization Agreement.*
- 4.26.3. *Agree to be designated by a Municipal Heritage Designation Bylaw, if not already.*
- 4.26.4. *Demonstrate the full and complete use of all other City of Victoria heritage financial incentives and programs.*

4.27. *The Downtown Heritage Buildings Seismic Upgrade Fund must not be used to replace other existing financial incentive programs for heritage property. Rather, this Fund should function as a supplement to other existing financial incentives, which together serve to improve the financial viability of undertaking the physical rehabilitation and seismic upgrading of remaining heritage building.*

The inclusionary housing policy approved in July 2019 replaced the density bonus system from the DCAP and the Seismic Fund will no longer receive any money from density bonuses in the downtown.

Consistency of PIP and Seismic Fund Objectives

According to the Finance Policies and Procedures for Reserve Funds, all reserve funds must be used for the specified purpose mandated by the policy. The Heritage Buildings Seismic Upgrades Fund has the following purpose:

“...to assist in funding a portion of the cost of seismic upgrading as part of the re-use, retrofit and conservation of eligible heritage building within the Downtown Neighbourhood”

In staff’s opinion, providing a grant to the VCHT for use in the PIP is consistent with the purpose of the Seismic Fund. Just like the Seismic Fund, the PIP funds a portion of the cost of seismic upgrading of designated heritage buildings in the downtown as part of their re-use, retrofit and conservation. The PIP funds up to 75% of the cost of seismic upgrades to parapets, cornices and building facades, to a maximum amount of \$100,000.

2019-2022 Strategic Plan

The recommended option supports Action #20 (ongoing) of Strategic Objective 8 under the Strategic Plan:

20. Emergency preparedness/heritage buildings/enrich the heritage seismic upgrade program.

Impacts to Financial Plan

Money in the Seismic Fund was acquired through bonus density contributions from private development rather than tax revenues and is only available for the specific purpose that the reserve fund was set up for, which is to subsidize seismic upgrades to downtown heritage buildings. Re-allocating the money to the VCHT’s Parapet Incentive Program would be consistent

with the purpose of the reserve fund and enable the money to be effectively spent as intended under an existing grant program with a nearly identical purpose to the Seismic Fund. While the allocation would zero out a reserve fund, which appears as a line item in the City Budget, the money is not drawn from tax revenues.

CONCLUSIONS

The inclusionary housing policy approved in July 2019 replaced the density bonus system from the DCAP and the Seismic Fund will no longer receive any proceeds from density bonus contributions in the downtown. Prior to the changes, the Seismic Fund was underutilized due to its slow growth and its purpose overlapping with City-funded grant programs administered by the VCHT. Providing a grant to the VCHT equal to the current and pending amounts in the Seismic Fund to support its Seismic Parapet Incentive Program will make the funds immediately available for use in a more well established grant program aimed specifically at seismically upgrading the most publically visible and vulnerable components of downtown historic buildings. In staff's opinion, this is consistent with the purpose of the Seismic Fund and will advance policies and actions under the Official Community Plan, DCAP and the City's 2019-2022 Strategic Plan.

ALTERNATE MOTION

That Council direct staff to explore alternatives for re-allocating the fund.

Respectfully submitted,



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Report accepted and recommended by the City Manager:



Date: Jan 13, 2020

List of Attachments

- Attachment A: Department of Finance Policies and Procedures for Reserve Funds