



Committee of the Whole Report For the Meeting of February 27, 2020

To: Committee of the Whole **Date:** February 13, 2020
From: Karen Hoese, Director, Sustainable Planning and Community Development
Subject: Tax Incentive Program Application No. 00030 for 2615-2629 Douglas Street

RECOMMENDATION

That Council instruct the City Solicitor to prepare a Tax Exemption Bylaw for 2615-2629 Douglas Street for land and improvements located within 66.1 metres of the front property line for 10 years, pursuant to Section 225 of the *Community Charter*, with the following conditions:

1. That the heritage designation of the property be completed.
2. That a covenant identifying the tax exemption be registered on the title of the property and any possible future strata titles.
3. That the final costs of seismic upgrading be verified by the Victoria Civic Heritage Trust.

LEGISLATIVE AUTHORITY

In accordance with Section 225 of the *Community Charter*, Council may exempt protected heritage property from taxation under Section 197(1)(a) to the extent provided in the bylaw and subject to conditions established by the exemption agreement.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with information, analysis and recommendations regarding an application for a ten-year partial tax exemption under the City's Tax Incentive Program to assist in the seismic upgrading of the property known as the Victoria Press Building at 2615-2629 Douglas Street. The 130,000 square foot Victoria Press Building is the subject of a concurrent application for heritage designation and a building permit application proposing a comprehensive renovation to convert it into a campus-style "destination office complex". In addition to the seismic upgrade, the applicant is planning a wide range of improvements, including exterior cleaning, architectural lighting, renovating the entrance to be barrier-free, and re-roofing the building. The total project budget is \$26,592,000 and the cost of seismic upgrading is estimated at \$5,558,451. The total value of the proposed property tax exemption over 10 years is less than the cost to seismically upgrade the building based on either current or projected property taxes after the renovation.

The tax exemption would include the footprint of the original 1971 Victoria Press Building and adjacent lands and exclude the print reel room at the southeast corner of the property and the large parking lot beyond it. The print reel room was an addition to the original building

constructed in 1991. It is not considered to have heritage value. Based on consultation with BC Assessment and the City Finance Department, staff are recommending that the tax exemption only apply to land and existing improvements on the front half of the property measured to a depth of 66.1 metres from the front property line. The City retained an independent consultant to evaluate the applicant's pro-forma, as required for non-residential heritage buildings applying for a tax exemption. The consultant concluded that without the tax exemption, the project would not be financially feasible.

The proposed rehabilitation project advances important policies outlined in the *Official Community Plan* (2012) and the *Downtown Core Area Plan* (2011) in relation to emergency management (seismic hazards), economic development, and heritage conservation. The application was reviewed by the Victoria Civic Heritage Trust at its meeting on December 18, 2019, and was recommended for approval (see attached letter, dated December 20, 2019).

BACKGROUND

The Victoria Press Building is a large, three-level, Late Modern style office building built in 1971. It is located on the east side of Douglas Street. The property is bounded by Douglas Street to the west, Kings Road to the south and Ross Lane to the east. The building occupies approximately half the lot, with the rear third of the property occupied by surface parking. It is located in the Douglas Street corridor in the Humber Green area of the Burnside Gorge Neighbourhood, which features mostly low-density auto-oriented land uses. The building is a cast-in-place concrete structure with three levels. The lower level is half below grade and accessible from Douglas Street through sunken courtyards extending to either side of the main entrance. The upper two-storeys feature a repeating series of white pre-cast concrete panels surfaced with aggregate stucco. Set within each panel is a tinted ("smoked") glass window. The building has a prominent main entrance structure that projects forward from the front façade. The sides of the entrance structure feature curved bays with double height windows that reveal a pair of site-specific cedar totem sculptures from 1973, which were designed by artist Godfrey Stephens.

The heritage Tax Incentive Program (TIP) began in March 1998 to provide tax exemptions of up to 10 years to assist heritage-designated building owners with the high cost of seismic upgrading. Initially, the program was focused on accelerating the conversion of underused or vacant upper storeys of downtown heritage buildings to residential uses; however, the program was expanded to include exclusively non-residential rehabilitation projects on a case by case basis, provided an independent financial analysis was carried out. The TIP has led directly to the creation of 699 residential units in 43 rehabilitated heritage buildings and attracted \$266 million in private investment primarily to the downtown.

Proposed Seismic Upgrade

The building's structure consists of concrete slabs supported by concrete columns distributed on a 24' grid. The columns connect to the slabs through a column capital and a lowered, square shaped panel of concrete called a "drop panel". The interior is partitioned with non-load-bearing masonry walls. The building was designed to meet the standards of the 1965 Building Code.

Since it was built, seismic upgrade requirements have increased significantly. The applicant's engineer has designed a new seismic force resisting system to meet the applicable seismic upgrade requirements for their current building permit under the British Columbia Building Code (BCBC, 2012). The engineer estimates that the existing building has less than 20% of the lateral force resistance required by BCBC 2012. The main issue is that the columns and walls

do not have enough capacity to resist forces exerted on them by the side to side motion of the floor and roof slabs during a seismic event. To correct this, the proposed seismic upgrade consists of the following:

- addition of two new concrete cores anchored to the underlying bedrock and additional concrete shear walls
- addition of new connections between the concrete cores and slabs to resist lateral forces
- addition of a new ring beam foundation capable of transferring the lateral forces from the structure to the surrounding soil
- restraining the existing pre-cast concrete panels around the exterior of the building
- bracing unreinforced masonry walls inside the building
- bracing the existing building's pre-cast concrete parapets.

The above seismic upgrade are designed to resist seismic ground motions with a probability of exceedance of 5% in 50 years. A magnitude 7 earthquake within 10 kilometres of the site or a magnitude 9 earthquake (The "Big One") occurring offshore are expected to result in shaking similar to this design level, according to the engineer.

Other Building Upgrades Proposed Under Building Permit No. 055060

The project includes a full scope of conservation work aimed at preserving and rehabilitating all of the building's Late Modern architectural components, including the historic association with the Times Colonist newspaper and the industrial character of the building's interior. Much of the remaining work is also eligible for heritage incentives:

Pre-cast Concrete Panels

- seismic restraint of the panels to the façade of the building
- thorough cleaning of the panels to restore their original brightness
- replacement of sealants on panel joints and replacement of window frames
- architectural lighting.

Roof

- existing roof to be stripped, with new insulation and waterproof membranes installed.

Douglas Street Entrance

- historic main entrance retained and enhanced
- access reconfigured to become barrier free, including removal of steps and installation of a wide and level entrance to the lobby
- architectural lighting.

Kings Road Alterations

- original double-height space reinstated through the removal of a steel framed second floor added in 1991 with the print reel room addition
- replacement of blank metal cladding with curtain wall glazing to reveal the full height of the original press hall
- new exterior lighting.

Other Exterior Work

- rehabilitation of sunken landscaped courtyards next to the main entrance

- new cladding and glazing added to the print reel room.

Interior

- lobby tiles, wall tiles and geometric hand railing in the lobby retained
- hazardous materials to be removed and new electrical and plumbing systems added
- building to be fully sprinklered
- light wells/skylights to be cut into existing floor slabs at all levels, bringing natural light to a central circulation spine
- reconfiguration of internal walls
- concrete frame structure retained and exposed
- masonry walls retained and braced.

ANALYSIS

Staff recommend that Council consider supporting the project by approving the proposed tax exemption, since it will contribute to the City's strategic objectives for the Humber Green area of the Douglas Corridor as set out in the Burnside Gorge Neighbourhood Plan. The Neighbourhood Plan envisions the area transforming through the construction of projects that are transit-supportive and contain commercial and mixed-uses. The Victoria Press Building project is the first phase in the applicant's plan to completely redevelop the site.

The proposed tax exemption is consistent with the following policies:

Official Community Plan

The proposal to grant the project a tax exemption is generally 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. The proposal is consistent with policies under Section 8 - Placemaking: Urban Design and Heritage:

- 8.6 *Conserve and enhance the heritage value, character and special features of areas, districts, streetscapes, cultural landscapes and individual properties throughout the city.*
- 8.43 *Encourage high quality architecture, landscape and urban design to enhance the visual identity and appearance of the City*
- 8.50 *Encourage new development to avoid the demolition of heritage property, or one or more of its façades.*
- 8.51 *Continue to give consideration to tools available under legislation to protect or conserve heritage property including, but not limited to: heritage designation bylaws.*

The proposal 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.*

Burnside Gorge Neighbourhood Plan

The conservation of the building through designation, seismic upgrading and other restorative measures is consistent with Section 4.1, "General Policies for Land Management and Development", and Section 8, "Heritage", which states:

- 4.1.6. Encourage the conservation of important heritage buildings: Burnside neighbourhood contains important heritage buildings and sites of the Coast Salish people, the neighbourhood's agricultural, residential, and industrial history, and the natural and recreational history of the Gorge Waterway.*
- 8.1.2. Consider future additions to the City's Register of Heritage Properties in consultation with property owners...*

Standards and Guidelines for the Conservation of Historic Places in Canada

The proposal is consistent with the *Standards and Guidelines for the Conservation of Historic Places in Canada* (the Standards and Guidelines). The applicant proposes to preserve and restore all character-defining elements on the primary elevations. The most significant proposed alterations to the building are to the 1991 print reel room addition, which is not a character-defining element of the building. The removal of the blank corrugated metal cladding of this portion of the building and the introduction of expansive glazing will give the building a presence on Kings Road that it currently lacks.

Resource Impacts

The project will rehabilitate approximately 130,000 square feet of underutilized commercial space at an estimated total construction cost of \$26.6 million. The following is a breakdown of the project budget with the print reel room costs separated. The reason that the print reel room is separated is because it will not be heritage designated and will not factor into the calculations for the tax incentive.

Victoria Press Building	
Renovation Cost	\$23,660,000
Seismic Upgrade Only	\$5,324,483

Print Reel Room	
Renovation Cost	\$2,932,000
Seismic Upgrade Only	\$233,968

The value of the tax incentive is calculated based on the value of land and existing improvements to a depth of 66.1 metres from the front property line because this is the extent of the heritage designated portion of the building. In 2019, the current property taxes for all land and improvements were \$347,377, based on a total assessed value of \$20,285,000. In 2020, BC Assessment estimates that the heritage-designated portions of the property will comprise approximately \$11,300,000 of the total assessed value, which equates to annual taxes of \$194,407 when apportioned accordingly.

The formula to determine how many years the tax exemption will apply is the rate of the current year's property tax multiplied by the number of years required to reach an amount equal to or less than the estimated cost of seismic upgrading, up to a maximum of 10 years. The applicant has requested the full term of 10 years because the cost of the seismic upgrade (\$5,324,483) will exceed the maximum tax incentive calculation of \$1,944,075 (\$194,407 x 10).

Cost of Seismic Upgrading = \$5,324,483.00 > \$1,944,075 (\$194,407 x 10)

After the renovation, the assessed value of the property is estimated to increase from \$20,285,000 million to \$35,391,000 million. This means that the value of the tax exemption could be as high as \$452,489 per year in property taxes or \$4,524,896 over 10 years. This is still less than the \$5,324,483 cost of seismic upgrading.

Over the 10-year period, the City would redistribute the amount of the tax exemption to be covered by non-exempt tax payers, so there is no loss in tax revenue to the City.

Accessibility

The project will make all significant entrances to the building fully accessible. Upgrades include the reconfiguration and enlargement of the existing wheelchair ramp at the front to make the entrance accessible from a north or south direction. The main lobby of the building includes an elevator. The entrances to the print reel room and the press hall at the southeast corner of the building will be fully accessible from grade, without the need for any ramps.

CONCLUSIONS

The proposed tax exemption will facilitate the rehabilitation and seismic upgrading of over 130,000 square feet of commercial space within a building with significant heritage value as a symbol of over 150 years of print journalism in Victoria. The project will be a significant step forward in advancing the City's goals for the Humber Green area of the Burnside Gorge Neighbourhood. Staff therefore recommend that Council consider supporting the application.

ALTERNATE MOTIONS

That Council decline Tax Incentive Program Application No. 00030

Respectfully submitted,



John O'Reilly
Senior Heritage Planner
Development Services



Karen Hoese, Director
Sustainable Planning and Community
Development Department



Susanne Thompson
Deputy City Manager/CFO
Finance Department

Report accepted and recommended by the City Manager:

Joelyn Senhyns
Date: Feb 21, 2020

List of Attachments

- Attachment A: Subject Map
- Attachment B: Aerial Map
- Attachment C: Site Plan showing Tax Exempt Area
- Attachment D: Photos
- Attachment E: Architectural Plans, dated February 13, 2020
- Attachment F: Letter from Victoria Civic Heritage Trust, dated December 20, 2019
- Attachment G: 2019 Property Tax and Assessment Notices
- Attachment H: Heritage Conservation Rationale: Victoria Press Building
- Attachment I: Seismic Evaluation by RJC Engineers, dated December 13, 2019.