



Committee of the Whole Report **For the Meeting of October 8, 2020**

To: Committee of the Whole **Date:** October 1, 2020
From: Karen Hoese, Director, Sustainable Planning and Community Development
Subject: **Report on the Potential Heritage Designation of 1623-1625 Bank Street**

RECOMMENDATION

That Council receive this report for information.

LEGISLATIVE AUTHORITY

In accordance with section 611 and 613 of the *Local Government Act*, Council may designate real property, in whole or in part, as protected heritage property. If a Heritage Designation Bylaw causes, or will cause a reduction in the market value of the designated property, the local government must compensate an owner of the designated property who makes an application no later than one year after the Heritage Designation Bylaw is adopted.

EXECUTIVE SUMMARY

The purpose of this report is to provide Council with information on the potential designation of the heritage-registered Bank Street School at 1623-1625 Bank Street and a summary of discussions between the City and School District 61 (SD61) about their plans to demolish the building within the next year. SD61 has control over the operation and management of the Bank Street School for as long as the property continues to be required for school purposes and they intend to demolish the building to facilitate an expansion of the former Sundance Elementary School on the same site.

Staff met with SD61 representatives and explored a range of alternatives that would both retain the building and meet SD61's needs. Due to costs associated with rehabilitating the building, safety challenges, and the site configuration, a mutually acceptable alternative has not been found.

Negotiations with SD61 have been cordial, however SD61 is not willing to voluntarily designate and conserve the Bank Street School. Although Heritage Designation remains open to Council, it could lead to an arbitration process that could require the City to pay SD61 millions of dollars in compensation during a challenging fiscal year, so staff are not recommending further action at this time.

BACKGROUND

SD61 informed the City of their intention to demolish the Bank Street School in May 2020. Since that time staff and SD61 representations have worked collaboratively to explore opportunities that would allow for a mutually beneficial outcome. However, due to the costs associated with the rehabilitation of the building and future needs of the school, the School Board has ultimately declined any options that involve the retention of the Bank Street School building. To provide staff with enough time to report to Council on the full range of issues, the School Board has committed to maintaining the Bank Street School building until at least November 15, 2020 (see Attachment E). SD61 has not applied for a demolition permit at this time, however, they have indicated that they intend to within the next year.

The Bank Street School is located in the South Jubilee Neighbourhood at the southeast corner of Bank Street and Leighton Street. The building sits at one end of a large property that includes the Sundance Elementary School to the south and playing fields that extend east to Fell Street behind both buildings. Under the 1946 *School Act*, school properties formerly held by School Trustees were vested in the City but SD61 acquired control over their operation and management. As long as the property continues to be required for school purposes, it and any improvements remain under the control of SD61, which does not require City's permission to redevelop the property.

Designed by architect Davis Couper Frame, the Bank Street School was built in 1912 as an elementary school with an enrollment of 193 students. In 1975, it ceased to be used as a school and was occupied by the Victoria College of Art. Their tenancy has expired.

The City added the building to its Register of Heritage Properties (the "Heritage Register") in June 1996 with seven other historic schools. Below is the description of the Bank Street School according to the Heritage Registry Schools Report:

"Built in 1912, this school is an excellent example of a small masonry school in a nearly original state. It features a chateau roofline capped with bold cresting which repeats the profile of the dentils under the eaves. The elevations are particularly attractive through the use of a "battered" concrete base, red brick walls and window transoms which also reflect the detailing of the roofline. The school is a notable structure in the south Jubilee neighbourhood."

The architect D.C. Frame designed many buildings in Victoria, including the Chinese Public School at 636 Fisgard Street.

SD61 operates seven other schools in Victoria with Heritage Register status:

1. George Jay Elementary School – 1118 Princess Avenue (1909 Wing)
2. Victoria High School – 1260 Grant Street (1911 wing)
3. Burnside School – 3130 Jutland Road (1913 wing)
4. Oaklands School – 2827 Belmont Avenue (1913 wing)- Register Status
5. Margaret Jenkins School and Annex – 1824 Fairfield Road (1913 wing and annex)
6. Quadra School and Annex – 3031 Quadra Street (1914 wing and annex)
7. Quadra Primary School – 2549 Quadra Street (1921)

Of the above schools, George Jay Elementary School and Victoria High School are considered to have national significance.

It is unknown if SD61 has plans to demolish any other heritage-registered buildings. Historically, SD61 has made these decisions on a case-by-case basis. In 2001, the 1912 wing of the Oaklands School was seismically upgraded and rehabilitated. In 1995-1996, the Sir James Douglas School at 401 Moss Street was demolished, although it was not on the heritage register. More recently, SD61 embarked on the major rehabilitation and seismic upgrading of Victoria High School at 1260 Grant Street.

ISSUES AND ANALYSIS

Official Community Plan

The heritage conservation policies of the Official Community Plan (OCP, 2012) do not provide explicit direction on involuntary designation, which is left to the discretion of City Council. Section 8, "Placemaking (Urban Design and Heritage)" does not support the demolition of heritage property, but encourages the City be cooperative and use incentives rather than involuntary designation and arbitration. Staff have considering whether the City should designate the building against the wishes of the owner and the report describes the significant costs that could be incurred during a time of financial uncertainty for the city.

Jubilee Neighbourhood Plan, 1996

The *Jubilee Neighbourhood Plan (1996)* contains the following policies related to the long term protection of heritage-registered properties:

2. Encourage the voluntary designation of buildings listed on the Heritage Registry as a means of providing long term protection of buildings. Promote voluntary designation through awareness of the Victoria Heritage Foundation's house grants program. Further, that heritage designation be required when incentives are provided to the building owner
4. Ensure land use policies and zoning standards are consistent with the Heritage Registry. The City should consider initiating rezoning where permitted densities threaten heritage resources. Where heritage resources listed on the Heritage Registry are threatened with demolition, the City should consider designating the resource.

The above policies support voluntary designation and suggest the City should consider designation if the resource is threatened. This report considers the designation of the property.

Eligibility for Designation

The Bank Street School meets the *Local Government Act* criteria for heritage designation. It has heritage value and heritage character for its aesthetic qualities including its chateau roofline, battered concrete foundation and symmetrical composition and its stature as a neighbourhood landmark positioned prominently at the corner of Bank Street and Leighton Road in the South Jubilee neighbourhood.

Building Condition, Repair Costs, Seismic Upgrade Costs

SD61 submitted a Building Condition Assessment by D. Mattson Construction Services (Attachment C) evaluating the current condition of the school building and estimating the costs of rehabilitation. The report is based on visual inspections of the building and its interior. Destructive testing was not performed and the consultant did not complete detailed

environmental, civil, structural, mechanical or electrical reviews. The report evaluates the building condition, components and systems at a high level to reach a rough estimate of upgrade costs. The consultant notes that very few, if any, upgrades have been made since 1975. Key findings include:

- All exterior finishes require rehabilitation. Upgrades would include insulation, exterior sheathing, windows and doors. *(Note: The consultant proposed to replace all of the exterior masonry cladding of the building, which in staff's opinion is impractical and inconsistent with heritage conservation guidelines. Staff would recommend repointing and selectively replacing the existing masonry).*
- The slate roof requires replacement and has leaked in several location over time.
- Settlement and fractures are present in the concrete foundation around the perimeter of the building.
- Settlement of the foundation is causing minor spider cracking in mortar joints of the masonry walls.
- Interior finishes and most interior components are past their useful service life.
- Interior framing likely has no fire stopping/fire blocking.
- There are a significant number of wall penetrations that require fire caulking in order to comply with the Code.
- Most interior wall and ceiling assemblies throughout the school contain asbestos and lead paint and would be removed. The attic space is insulated with vermiculite and known to contain levels of asbestos. A high-risk abatement program would be required.
- Mechanical systems date back to 1912, are not operational and need replacement.
- Electrical systems require significant upgrades including service and lighting upgrades, life safety systems including fire alarms, exit and emergency lighting systems.
- The facility has no fire protection or fire alarms installed.
- The building is not accessible for people with disabilities.
- The facility is designated "H1 – High Level 1" by the Seismic Risk Assessment report conducted by Stantec 10 September 2018.
- Roof membranes will require full replacement to conduct seismic upgrades to roof decks.
- Structural upgrades to the balloon framed walls, floor diaphragms and stairwell openings will be significant.
- Heat loss/gain is significant on this building due to the lack of insulation.

The aforementioned repairs are extensive and would involve removing the roof, underpinning the foundation and gutting the interior. To remove hazardous materials, workers would need to follow high risk abatement protocols by Work Safe BC, including installing air-tight containment structures at each floor and equipping workers with full body personal protective equipment and air-purifying respirators. The total cost of rehabilitating the heritage building is estimated to cost \$7,534,000, whereas constructing a replacement building is estimated to cost \$4,536,000. Note that the cost estimate is a Class "D" estimate, which is the least precise in the construction cost estimate system. Accurate figures could only be obtained by establishing a scope of work and receiving quotes from qualified contractors. Staff also note that the budget includes removal and replacement of all exterior masonry on the building, which heritage conservation guidelines do not recommend. This is a \$3.5 million cost in the budget. A more appropriate heritage conservation treatment is repointing and selectively replacing damaged masonry as needed. This is also labour intensive and costly, but staff are unable to confirm if it would equal \$3.5 million.

Site Layout and Future Expansion Plans

SD61 plans to expand the former Sundance Elementary School Building in time for the 2021 school year by adding 6-7 classrooms in a series of modular buildings. They also intend to construct a Neighbourhood Learning Centre (NLC) and a childcare. 170 students would occupy the expanded facilities on site. SD61 has stated that location of the heritage building interferes with the planned expansion. Staff suggested situating the classrooms and NLC on the east side of the former Sundance Elementary School, however this would require removal of multiple Garry Oaks protected under the City's *Tree Preservation Bylaw* and other landscape features that form part of the Garry Oak ecosystem and the area will be difficult to build on due to the rocky terrain.

Seismic Risk

Seismic retrofit options have not been developed for the building, but SD61 did commission a risk analysis from Stantec Engineering, which is attached to the report. The soil hazard map of greater Victoria indicates that the property is "Site Class D" with no significant risk of liquefaction and a low risk of amplification. However, the building is considered to be in the highest risk category because of its unreinforced masonry construction and would sustain significant damage during an earthquake.

Timing of Demolition Permit

Staff expect to receive a Demolition Permit Application for the school within the next year. In Development Permit Area 16: General Form and Character, a development permit is not required to construct a new institutional building or to demolish a heritage-registered building provided the applicant has a building permit for the construction of a new building or permissions for another use under the zoning. SD61 does not have funding to construct a new school or an addition to the existing Sundance Elementary School at this time.

Heritage Property Protection Bylaw

The *Heritage Property Protection Bylaw* requires withholding of a demolition permit for property on the heritage register until all approvals for redevelopment are issued. Because the Bank Street School is on the City's heritage register, this provides some limited protection. However, as long as the SD61 obtains approval for any other use the land on which the building stands, the City will be required to issue the demolition permit. Therefore, this alone cannot be viewed as anything more than a delay and is not a substitute for proper heritage protection.

Compensation

If a *Heritage Designation Bylaw* causes a reduction in the market value of the designated property, the City would likely be liable to compensate the School District to some degree. Assessing the market value of the property would be complicated. The property's "Public Facilities, Institutions, Parks and Open Space" Urban Place Designation in the OCP restricts the range of permitted uses and the property is technically owned by the City. Despite these factors, the property is under the operational control of SD61 as long as it is required for school purposes, therefore, SD61 would likely be entitled to some compensation for any loss of potential use or redevelopment of the property. To determine compensation, the City would need to hire an appraiser, with the final compensation amount determined through arbitration. It is possible that the compensation amount could be millions of dollars if the SD61's Class "D" cost estimate is accurate and the exterior rehabilitation estimate in particular.

Staff have not proactively retained an appraiser to determine the likely compensation amount, because a consultant report would be a substantial cost in itself. In 2008, the City requested an estimate for consulting services to undertake a market value assessment of 1612-1614 Store Street with and without heritage designation. Estimated fees were in the order of \$15-20,000.

If Council wishes to have staff commission an analysis to determine a more precise estimate of potential compensation, staff have included an option under the next section authorizing staff to retain a consultant to complete the analysis. Based on the rate of inflation, staff estimate that a market value assessment of 1623-1625 Bank Street could cost between \$18,000 and \$24,000.

Staff are only aware of one instance in which the City designated a heritage property against the owner's will. In 2007, Rogers' Chocolates Ltd. obtained a building permit to expand their ground floor retail area and move the rear wall backward 20 feet. The interior of the existing shop dated back to the original construction of the building and was among the oldest intact commercial interiors in Canada. Only the exterior was designated at the time, so the City proceeded to designate the interior of the store. Rogers' Chocolates appealed the designation and the City entered the arbitration process. The resulting decision awarded Rogers' Chocolates approximately \$600,000 in compensation for the loss of 650 square feet of retail space inside the building.

OPTIONS

Option 1 – Take No Action (Staff recommendation)

That Council receive this report for information. Taking no action will enable the applicant to obtain the necessary approvals to demolish the building as soon as SD61 has a building permit.

Option 2 – Pursue Involuntary Designation (Not recommended)

That Council:

1. Approve the designation of the property located at 1623-1625 Bank Street, pursuant to Section 611 of the *Local Government Act*, as a Municipal Heritage Site, and that first and second reading of the Heritage Designation Bylaw be considered by Council and a Public Hearing date be set; and
2. Authorize staff to retain qualified consultants to complete an independent building condition assessment and a market value assessment of the property

The involuntary designation of the building would result in the City entering an arbitration process with SD61, which operates all public schools in Victoria. Completing a separate building condition assessment and market value assessment of the property would cost the city over \$24,000 in addition to legal fees and an unknown amount of compensation. Based on the estimated \$3 million difference in cost between rehabilitating the building and constructing a new building, the involuntary designation of the property could significant extra costs on SD61, and the City may be liable for some or all of these costs.

Accessibility Impact Statement

The building is currently inaccessible to persons with disabilities, particularly those who rely on a wheelchair for mobility. An elevator and a new primary entrance to the building would need to be designed. Washrooms, stair railings, some doorways and door handles throughout the building do not meet accessibility requirements and would have to be redesigned. Although the budget has not been fully developed in detail, the owner's consultant budgets \$100,000 for

accessibility upgrades including a new accessible building entrance (\$30,000), replacing washroom accessories and partitions (\$40,000) and replacing doors, frames and hardware inside the building (\$30,000). An elevator is not included in the budget, but would likely cost over \$100,000.

2019-2022 Strategic Plan

Allowing the demolition of the Bank Street School does not meet the City's operational priority of heritage conservation and designation, however in staff's opinion, it would be consistent with the operational priority of sound fiscal management.

Impacts to Financial Plan

The City has deferred \$22 million in capital spending and approximately \$2.5 million in other initiatives to create a larger operating budget contingency during the COVID-19 pandemic. These measures are intended to mitigate an estimated revenue shortfall that could range from \$12.5 million to \$17.5 million for the year. If the City designates the Bank Street School against the wishes of SD61, it risks incurring millions in compensation costs that have not been factored into the 2020 budget.

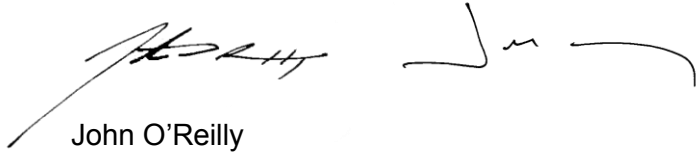
Official Community Plan Consistency Statement

The heritage conservation policies of the OCP do not provide explicit direction on involuntary designation, which is left to the discretion of City Council. Section 8, "Placemaking (Urban Design and Heritage)" does not support the demolition of heritage property, but encourages a cooperative approach using incentives rather than involuntary designation and arbitration

CONCLUSIONS

Staff have worked cooperatively with SD61 to encourage voluntary protection of the building and have discussed alternatives with SD61, however their position is unchanged. The heritage-registered Bank Street School is likely to be demolished in the next year if no action is taken. It is worthy of designation, however, the building has not been upgraded or well-maintained since 1975. It requires significant seismic and accessibility upgrades, hazardous materials abatement, the full replacement of its mechanical and electrical systems along with most interior finishes and fixtures. The roof requires replacement and most exterior elements including masonry and metal cornices are in need of significant rehabilitation. Costs to complete all of the deferred maintenance and upgrade the school are approximately \$3 million higher than the cost to build an equivalently sized new school. Designating the building against SD61's wishes will lead to an arbitration process that could cost the City millions of dollars in compensation during a challenging fiscal year. Staff are therefore not recommending any further action at this time.

Respectfully submitted,



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Senior Heritage Planner
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Karen Hoese, Director
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Report accepted and recommended by the City Manager:



Date: October 1, 2020

List of Attachments

- Attachment A: Map
- Attachment B: Aerial Map
- Attachment C: Bank Street School Condition Assessment Report
- Attachment D: Photographs of Heritage Register Schools
- Attachment E: Correspondence with SD61
- Attachment F: Photographs of Bank Street School Exterior and Interior