



Victoria
CIVIC
HERITAGE
TRUST

City of Victoria
1 Centennial Square
Victoria, BC V8W 1P6

6 November 2020

Attention: Mayor and Council

**Recommendation to City of Victoria
Approval of a Partial Ten Year Tax Exemption
Heritage Tax Incentive Program – Residential Use**

727 Yates Street – Hall Block (1897)

**Former Westerly 30 Feet of Lot 15 Victoria City;
Now part of Lot 1, Victoria City Plan, EPP101059
As consolidated with 719 Yates Street and 721–725 Yates Street**

PID 009-351-388 / Folio No 01022005

Dear Mayor and Council:

The Board of Directors of the Victoria Civic Heritage Trust reviewed a Tax Incentive Program application for **727 Yates Street** at its meeting held on 6 November 2020.

The owner requests a partial ten year tax exemption period for 727 Yates Street based on the scope of work for seismic upgrading as specified by the Project Engineer, John Zickmantel, MEng, PEng, StructEng, PE, SE, Bryson Markulin Zickmantel Structural Engineers, Vancouver.

The lowest total seismic upgrading cost is **\$309,711.00** as estimated by Brenton Construction Corp in a revised submission received on 15 October 2020. The second cost estimate dated 19 August 2020 from Tom Crosbie PQS, MRICS, Beacon Construction Consultants Inc was revised by VCHT to remove architectural costs for storefront replacement as well as non-structural work and demolition costs – see attached report from Beacon Construction Consultants and cost spreadsheet by VCHT. The revised cost for structural work at 727 Yates Street was **\$326,103.93**. Please note that ineligible contingency costs were removed from both seismic cost estimates, therefore the totals differ from the documents submitted by the applicant. In a letter dated 22 October 2020, John Bryson (BMZ) provided an order of magnitude cost estimate of **\$250,000.00 to \$300,000.00** for seismic upgrading in the Hall Block building, excluding contingency allowance, contractor mark-up, soft costs, and GST. This order of magnitude cost estimate is consistent with the seismic upgrading estimate provided by Brenton Construction Corp.

The total construction costs for 727 Yates Street were estimated in April 2020 by Brenton Construction Corp as **\$3,016,276.93**.

ELIGIBLE TERM OF TAX EXEMPTION: The 2020 property tax for 727 Yates Street is **\$20,325.69** for the property prior to consolidation. The value of a ten year tax exemption at the current 2020 property tax rate is **\$203,256.90** (10 years x \$20,325.69). Based on the formula used to determine the eligible term of the tax exemption under the Tax Incentive Program for Residential Uses, 727 Yates Street is eligible for the maximum ten year tax exemption as the cost of seismic upgrading exceeds the value of the existing property taxes multiplied by the maximum number of ten years.

Cost of seismic upgrading = **\$309,711.00** > **\$203,256.90** (\$20,325.69 x 10 years).

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HERITAGE PORTION FOR TAX EXEMPTION: The proposed project includes rehabilitation and seismic upgrading of the existing Hall Block (1897) heritage designated building that is eligible for a tax exemption, as well as construction of a new addition and rooftop additions that do not qualify for tax exemption. The amount of the tax exemption for the heritage portion of the project is calculated as a percentage of the floor areas of Levels 1-3 within the heritage building envelope in relation to the total gross floor area of the consolidated apartment building complex at 719, 721-725, and 727 Yates Street.

The building floor areas below are based on inside floor areas (per square foot) as provided by Studio One Architecture Inc. The floor areas were generated by an Auto CAD program based on the Building Permit drawings for the proposed work at 727 Yates Street as well as for the existing floor areas of The Churchill apartment complex at 719 Yates Street and 721-725 Yates Street. The floor areas within the original heritage building envelope of the Hall Block create 4 of 11 new rental residential units.

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|------------------------------------|------------------|---|----------------------|-------------------------------|
| 727 Yates Street-Hall Block (1897) | 3,736 sf | = | <u>6.990%</u> | Tax Exempt Floor Area |
| 727 Yates Street New Additions | 6,661 sf | = | 12.463% | |
| 719 and 721-725 Yates Street | 43,050 sf | = | 80.547% | |
| Total Gross Floor Area | 53,447 sf | | 100.00% | Total Gross Floor Area |

Based on the floor areas listed above, the 10 year tax exemption for the heritage portion of the proposed project should be at the rate of **6.990%** of the assessed value for the consolidated property.

This percentage should be confirmed by City of Victoria to ensure that it fairly offsets the cost of seismic upgrading for the Hall Block based on BC Assessment's projected assessed value for the consolidated property. The final floor areas of Levels 1-3 in the heritage building and the final gross floor area of the consolidated property, and resulting eligible percentage, should also be verified by the City of Victoria prior to final approval of the tax exemption bylaw, based on final building permit or as-built drawings.

A technical review of the project was undertaken by our Architectural Conservation Committee (ACC) and Board of Directors on 6 November 2020. The Board of Directors passed the following motion of recommendation to the City of Victoria:

Subject to Council's approval, the project meeting all other City requirements, and verification of final costs and the heritage building floor area and resulting eligible percentage, the property at **727 Yates Street – Hall Block (1897)** is eligible for a **tax exemption period of ten (10) years** with the amount to be based on the final percentage of the heritage building floor area in relation to the total gross floor area of the consolidated property, for the assessed value of the consolidated property situated on the former legal property description of the Westerly 30 Feet of Lot 15 Victoria City and now part of the consolidated legal property description of Lot 1, Victoria City Plan, EPP101059 as consolidated with 719 Yates Street and 721-725 Yates Street.

Please do not hesitate to contact our office if you have any questions regarding our review.

Sincerely yours,


Clive Townley
President

copy: John O'Reilly, Senior Heritage Planner, City of Victoria