



July 15, 2021

City of Victoria
1 Centennial Square Victoria BC V8W 1P6

Dear Mayor Helps and Members of Council,

Re: 1114 Blanshard Street, Montrose Apartments and Wintergarden Hotel Rezoning, Development Permit and Heritage Designation Application

In consideration of the subject application at Committee of the Whole on April 1, 2021, Mayor and Council requested that we consult with staff on amending the application to address two motions:

1. That Council direct staff to explore, with the applicant, the possibility of securing significant internal heritage features and unit layout with the Heritage Designation, as well as securing the installation of thermal windows when replaced.
2. That Council request that the applicant consider instituting vacancy controls to help secure the affordability of the housing units and de-incentivize renovations.

We valued the thoughtful discussion on the application as a whole and the direction to proceed to the scheduling of a Public Hearing. To address the directions of the motion, we have undertaken to review the application in the broader context, addressing what we understand to be the background concerns or issues of the two additional motions.

Designation of internal heritage features and thermal window replacements

a. **Interior Features:** The primary architectural feature of the building interior is the central staircase which serves the upper floors. While the staircase is original, it has been substantially altered as a result of improvements to the interior of the building to address fire code compliance - specifically as related to installing fire doors in the upper second and third floor hallways creating fire door separation with the wings. In the course of these works, the building electrical was rewired with new chaseways constructed on each floor. Consistent with the finish material and detail of these works, the staircase was substantially modified. As such, only the hand-rails, bannister and stair-treads appear to be original. While the window treatments at the landings are exemplary, the other elements of the staircase are limited in heritage value. Additionally, as the staircase is the primary ingress and egress to the residential floors, and may benefit from bracing and additional structural support, we do not recommend incorporating the stairs or any other common areas as an additional heritage designated element. In our work with staff, it was not recommended that designation of interior features be pursued, recognizing that it is the City's preference when considering heritage designation of interior features of buildings that there be a public benefit through public access to the interior spaces, which is not the case with the residential use of the Montrose Apartments.



The interior room layouts remain largely unchanged; however, designation of interior features may impact the potential to complete renovation works to address life safety and building code upgrades. Preservation of the unit configuration will, in part, be achieved through the commitment to maintaining all 21 existing units as market rental housing units through a Housing Agreement with the City.

b. **Thermal Window Replacement:** The Heritage Conservation Plan prepared by Don Luxton and Associates identifies the original fenestrations as character-defining elements and recommends rehabilitation of the fenestrations and windows. In general, the windows and sash throughout are in good condition, but have been neglected and suffer from poor closure and fit. To date, approximately 20% of the windows throughout the building have been removed and repaired. We are informed by the window contractor, Vintage Woodworks, that restored windows result in much improved performance, with reduced heat loss, sound transference and improved operation.

We also reviewed the technical requirements of renovating the heritage windows to allow for thermal or even laminate glass with our construction manager. This work would include rerouting each 1 3/4" window sash to accept thermal glass, with replacement of pocket weights to manage greater load. The new window glass would not have a warranty as they do not meet the manufacturers requirements for installation. In time, a renovated heritage window with double-paned thermal glass has a high risk of failure due to the stress of the higher operating weight and installation. For these reasons, we elected to not pursue this option.

To date, there have been no street noise complaints from tenants, while the building enjoys the reputation of being quiet and comfortable. The building benefits from its proximity to St. Andrews Cathedral at View and Blanshard, which represents one of the quieter intersections in the downtown core. We have investigated the installation of sound baffling blinds, which we are supportive of incorporating into the finished units upon renovation.

Consideration of Rent Controls:

a. **Protection Against Renovation:** It would be fair to say from the outset we undertook Montrose-Wintergarden with the intention of preserving the Montrose Building in body and spirit. In a time when City policy has decisively signalled that developers must find ways to build without evicting tenants, we elected to renovate a 100-year old building without terminating any of the retail and residential tenants. Our proposal is consistent with existing City policy and we have taken a measured approach to balance tenant needs and renovation of the building. Accordingly, we have committed to a Tenant Assistance Plan, which protects tenants from renovation by providing:

1. No tenants will be evicted due to renovations or repairs.
2. In the case where termination of tenancy for vacancy of a unit may be unavoidable due to unforeseen major renovations, tenants will be provided:
 - a. Relocation assistance to find replacement interim housing, ideally within the building.
 - b. Reimbursement of moving costs.



- c. Right of first refusal to relocate back to the building at the same rent (subject to applicable annual increases (with moving costs)).
- d. Option to terminate tenancy with compensation.

The Tenant Assistance Plan is intended to ensure tenants are prioritized as a part of the proposed rezoning and heritage designation of the Montrose Apartments.

b. **Improved Affordable Housing:** The Montrose Apartments have 21 residential units over two floors. The unit mix tends toward smaller, more efficient studio “lofts” with large windows and high ceilings. While lower square foot units typically have higher per square foot rents, **renovated** units at the Montrose average an affordable \$2.25 - \$2.50 psf (which results in average monthly rental of \$1,100). Within the variety of rental housing-types within the downtown, the Montrose Apartments’ typical customer is a young, car-less individual seeking an **affordable** downtown location proximate to employment. While rents are reasonably priced compared to new market rental (@ 3.50-\$4.50 psf), the efficiency of the housing location relative to employment offers tangible lifestyle savings to customers. As such, this affordable work-force housing is the most difficult to replace with new housing. Our proposal not only assures this housing endures, but that it is renovated to meet modern standards for accommodation.

c. **Investing in Victoria’s Rental Stock:** In the context of Victoria Housing Strategy 2019-2022, the Montrose Wintergarden achieves numerous policy objectives: prioritizing renters and renter households; providing housing supply to low and moderate income households; and implementing a new and bold approach. Beyond aligning with the City’s housing goals, the renovation of the Montrose Apartments supports investment in Victoria’s existing rental housing stock by owners and investors. Applications which support reinvestment in the renovation and improvement of existing rental buildings are the foundation for renewing and improving the region’s housing stock. While it is important that we add supply to the market, it is more important that a commitment be made to reinvest in the existing housing stock.

d. **A Sustainable Community:** In reviewing the project business case, great care was taken to ensure the project could manage the longer period of time required to stabilize the building’s operations after a renovation period. While occupied units may not be improved, building common areas, exterior building shell, plumbing, electrical, and life safety systems will all be renovated and upgraded. The economic impact of this form of renovation plan results in a longer time horizon in which to recapture the expenditure, as the project will not benefit from new, higher revenue upon completion of construction.

In consideration of a further rent subsidy, or fixed rents where the building is not able to recapture market rents in future years, not only would the business case collapse, but the cost of maintaining the building, its common areas, insurance and property taxes would not be supportable. We believe we have developed our proposal to respond to existing City policy with respect to housing affordability, tenant supports and heritage conservation. The potential



introduction of further costs at this stage in the process and outside of approved policy would make the whole project not viable.

The role of the Montrose Apartments has always been to provide rental housing and commercial spaces to support the local Victoria community. Retention of the existing commercial and residential rental units is paramount to the project. Through careful heritage rehabilitation, the building will continue to provide cherished local retail space and much-needed, affordable market rental apartments. Our proposal engrains these commitments through seeking heritage designation of the building and retaining the residential units as rental units for 60 years or the life of the building, while supporting existing tenants through the renovation process with a Tenant Assistance Plan.

Our proposal for the Wintergarden Hotel represents investment confidence, part of a critical pathway for the recovery of the visitor economy, and allows for strategic diversification in the guest accommodation marketplace. As an integrated and comprehensive development proposal for the whole block, we believe the project reflects a balancing of the new with the old, retaining and reinvesting in existing housing, celebrating Victoria's heritage character and presenting a new landmark building welcoming visitors to an authentic Victoria experience.

We look forward to continuing our work with staff and stakeholders through the next steps in the process.

A handwritten signature in black ink, appearing to read 'David Fullbrook', written over the text 'Sincerely Yours,'.

Sincerely Yours,

David Fullbrook, CEO

Merchant House Capital