



Victoria  
CIVIC  
HERITAGE  
TRUST

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

8 July 2021

Attention: Mayor and Council

**Recommendation to City of Victoria to DECLINE a Partial 7.91% Ten-Year Tax Exemption  
Heritage Tax Incentive Program - Residential Use**

**1050 Pandora Avenue – Retained Heritage Building Structure  
Parkway / Parkway Apartments / Former Wellburn's Building / 1911 Parkway Apartments  
Lots on which the historic building is situated: Part of the consolidated property at  
1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street**

**2020 Legal Description (1050 Pandora Avenue):  
Amended Lot 14 (DD 106561I), 15 & 16, Suburban Lot 15, Victoria City  
PID 003-782-531 / Folio No 01-495-006**

Dear Mayor and Council:

The Board of Directors of the Victoria Civic Heritage Trust reviewed a Tax Incentive Program (TIP) application for **1050 Pandora Avenue** at its meeting held on 5 July 2021 – see the attached report.

**Basis of the TIP Review**

The owner requests a **partial (7.91%) ten-year tax exemption** for 1050 Pandora Avenue for the retained heritage building structure, which excludes the portions of demolished heritage fabric and the façade-only exterior wall on the westerly section of Pandora Avenue. Calculation of the potential tax exemption period is based on the scope of work for seismic upgrading of the retained heritage building structure only, as designed by the Project Engineer, Brian Lange, PEng, Principal at Sorensen Trilogy Engineering Ltd (Victoria) on structural drawings for Building Permit dated 12 December 2019.

The lowest total cost for seismic upgrading is **\$618,857.34** as estimated by Tom Crosbie, Professional Quantity Surveyor, of Beacon Construction Consultants Inc in a cost estimate dated 13 February 2021. The higher total cost for seismic upgrading is **\$654,843.42** as estimated by Chris Supeene of Summit Brooke Construction in a second revised cost estimate received on 17 June 2021. Total construction cost is estimated to be **\$27,639,385.90** based on a Class B Estimate dated 23 December 2020 as submitted on 7 May 2021 by Primex Investments Ltd. Seismic upgrading represents **2.24%** of the total project cost.

The total 2020 property tax for 1050 Pandora Avenue is **\$59,448.26** based on the application submission date of 4 March 2021. The face value of a ten-year tax exemption at the 2020 property tax rate is **\$594,482.60** (10 years x \$59,448.26). The lowest seismic upgrading estimate of **\$618,857.34** exceeds **\$594,482.60**, as required by the formula to justify a ten-year exemption. The partial exemption is **7.91%** (**433.29 m<sup>2</sup> GFA**) for the retained heritage portion, based on its Group E Retail and 7 Residential Units (5 Studio, 1 2-BR, 1 1-BR), in relation to **11,125.89 m<sup>2</sup> GFA** for the total project (92.09% new construction).

**Recommendation to City of Victoria**

A review of the project was undertaken by our Architectural Conservation Committee (ACC) on 5 July 2021. The ACC forwarded its comments and recommendations to the Board of Directors, who passed the following motion of recommendation to the City of Victoria on 5 July 2021:

Recommend to Council to **decline a tax exemption** for the property at **1050 Pandora Avenue (1911 Parkway Apartments)**. Supporting documentation to be submitted to City Council with the recommendation, outlining the concerns and issues identified by the VCHT Board of Directors, and the Architectural Conservation Committee.

Fundamental to the Tax Incentive Program for Residential Users is the purpose to provide a tax incentive

to offset the cost of seismic upgrading required for the conversion of existing space in order to preserve heritage buildings as a public benefit: "to assist in the conversion of Downtown heritage buildings for residential use. The intent is to assist the preservation, rehabilitation and seismic upgrade of designated heritage buildings in the Downtown" and "Eligible seismic upgrading costs [are] specific to the conversion of existing space to residential uses" (Heritage Tax Incentive Program Application – Residential Uses Information). The Board finds that the proposed design and seismic upgrading scheme for the original 1911 heritage building does not meet the intent and requirements of the Tax Incentive Program due to: the extent of demolition of original heritage fabric for the purposes of the provision of underground parking and new development; failure to provide a seismic assessment that justifies demolition; and failure to provide drawings, cost estimates, and design information in keeping with the plans, design, and heritage conservation details approved by Council at the public hearing for rezoning on 10 December 2020.

### Concerns and Issues

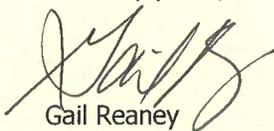
The following concerns and issues are raised by the Board with respect to the TIP application for 1050 Pandora Avenue (1911 Parkway Apartments):

1. The application does not sufficiently meet the intent of the Tax Incentive Program with respect to the amount of conservation and the absence of a strong rationale for the significant amount of demolition proposed.
2. The absence of a professional seismic assessment of the building in advance of the structural design.
3. The applicant did not make a case for why they did not consider the full retention of the heritage building.
4. Inconsistencies between the architectural and structural drawings submitted with the application and the plans approved by Council, which have significant implications for the structural and seismic design and the costing information submitted by the applicant.
5. Discrepancies between the proposed work and the Conservation Plan and the design and plans approved by Council at the public hearing on 10 December 2020.
6. More clarification required on technical aspects of the seismic upgrading design:
  - Whether the green roof and planters are to be deleted as they still show on the drawings, which affects seismic design loads. If the green roof is removed, clarification of the impact on gravity versus seismic loads for the roof, and presumed reduction in costs.
  - Whether the moment frame proposed on Cook Street is to make up for the modification or the demolition of 50% or more of the heritage building.
  - How much of the floor and wall framing upgrades are related to new gravity loads instead of seismic upgrading of the original building.
  - Whether the north wall intervention is related to underground parking.
  - Resolution of different seismic design approaches and mixed ductility levels.
  - Whether the storefront assemblies will be constructed of wood or aluminum.

The VCHT Board strongly recommends that Council **decline the request for a tax exemption for 1050 Pandora Avenue (1911 Parkway Apartments)** as the project does not meet the program's or Council's requirements and therefore should not receive public incentives. The Board wishes to make clear to Council that its recommendation to decline a tax exemption for this project will not change as it is not possible for the applicant to resolve all the flaws found with this TIP application, as listed above.

Please do not hesitate to contact us with any questions regarding our recommendation.

Sincerely yours,



Gail Reaney  
President

*attachment: Tax Incentive Program – Residential Uses Application: Report Reviewed by VCHT*

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

# Tax Incentive Program – Residential Uses Application

## 1.0 GENERAL INFORMATION

Building Name:	<b>Parkway / Parkway Apartments / Former Wellburn's Building</b>
Address:	<b>1050 Pandora Avenue</b> (lots on which the historic building is situated) Part of the consolidated property at 1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street
Owner & Applicant:	Pandora Cook Development Corp (Inc No BC1163124)
Authorized Agent:	Greg Mitchell, Development Manager, Primex Investments Ltd
Application Date:	Received by City of Victoria 4 March 2021; Received by VCHT 29 March 2021; Additional information submitted April - May 2021; Resubmission of contractor quote 16 June 2021 and 17 June 2021
2020 Legal Description:	1050 Pandora Avenue Amended Lot 14 (DD 106561I), 15 & 16, Suburban Lot 15, Victoria City
2020 PID & Folio No:	PID 003-782-531; Folio No 01-495-006
2020 Property Taxes:	<b>\$ 59,448.26</b>
Estimated Seismic Costs:	<b>\$ 618,857.34</b> Lowest: Beacon Construction Consultants (13 Feb 2021) <b>\$ 654,843.42</b> Summit Brooke Construction (Revised #2: 17 June 2021)
Tax Exemption Requested:	<b>Partial 10 Year Tax Exemption: 7.91%</b> (based on <b>433.29 m<sup>2</sup> GFA</b> for Group E Retail + <b>7 Residential Units</b> (five Studio, one 2-BR, one 1-BR))

## 2.0 PROJECT OVERVIEW

### 2.1 STATEMENT OF SIGNIFICANCE

The following Statement of Significance for the Parkway Apartments building at 1050 Pandora Avenue was provided in a Conservation Plan by Donald Luxton and Associates Inc dated July 2019:

<b>Address:</b>	1050 Pandora Avenue, Victoria, British Columbia
<b>Name:</b>	Parkway Apartments
<b>Original Owner:</b>	David R. Ker
<b>Original Architect:</b>	William Ridgway-Wilson
<b>Construction Date:</b>	1911

#### Description of Historic Place

The Parkway Apartments building is a two-storey commercial building situated on the north side of Pandora Avenue in the North Park neighbourhood of Victoria. The historic building is distinguishable by its chamfered corner, prominent cornices, glazed brick, and alternating bays along the second storey.

#### Heritage Value

Parkway Apartments is significant for its association with the Edwardian-era development of Victoria and its long-standing grocery store tenancy on the ground floor. The building is valued additionally for its commercial architectural style, as designed by William Ridgway-Wilson.

Constructed during the upswing of the pre-First World War real estate boom, Parkway Apartments is valued as part of the surge of development that characterized Victoria's gateway economy during the Edwardian era period. Built 1911, the building has been used continuously for commercial purposes on the ground floor, with residential space on the upper floor. Originally constructed for Rockland resident David R. Ker, this two-storey structure represents the north and eastward expansion of Victoria's commercial core. The variety of commercial uses attest to the adaptability of this structure and the commercial vitality of Pandora Avenue, one of the major thoroughfares to the eastern part of the City and the adjacent municipality of Oak Bay.

The building is additionally significant for its vernacular Edwardian era architecture as designed by William Ridgway-Wilson. Ridgway-Wilson designed many architecturally important projects that

# Tax Incentive Program – Residential Uses Application

continue to define the character of Victoria, such as Gyppeswyk, now part of the Art Gallery of Greater Victoria (1889), St John the Divine Anglican Church (1912), and the Victoria Drill Hall (now the Bay Street Armoury, 1913-15).

## Character-Defining Elements

The key elements that define the heritage character of Parkway Apartments include, but are not limited to its:

- location on north side of Pandora Avenue at Cook Street in the North Park neighbourhood of Victoria;
- siting on the property lines, with no setbacks;
- mixed commercial and residential use;
- commercial form, scale and massing as expressed by its two-storey height, L-shaped plan, low-slope shed roof, full retail storefront on ground level of Pandora Avenue and Cook Street façades;
- masonry construction of red brick with grey mortar laid in common bond; face brick of white glazed brick laid in running bond with white mortar on the façades of Pandora Avenue and Cook Street; parging on the base of brick pilasters and at storefront transom level on the street façades; concrete lintels; internal red brick chimney;
- Edwardian-era architectural features including its: commercial and residential design with full-height storefront on the ground floor; brick pilasters extending from grade to parapet delineating storefront bays; decorative pressed metal cornices at the storefront and roof levels; regular arrangement of fenestration on the upper floor; flat parapet punctuated by raised portions which align with brick pilasters on Cook Street and Pandora Avenue façades; and
- original fenestration including: multi-light wood storefront transoms spanning each storefront bay of Pandora Avenue and Cook Street façades; single assembly hung wood frame and sash windows with parged brick sills on rear façade; single and double assembly hung wooden-sash windows, oriole windows with wood frame and sash hung windows on either side of a fixed multi-light wood frame and sash windows on the second storey of Pandora Avenue and Cook Street façades; half-moon leaded glass window with wood frame on Cook Street façade; three panel wood doors with wood transom windows on rear façade.

## 2.2 OVERALL PROJECT SUMMARY

See the attached Tax Incentive Program – Residential Uses (TIP) application and guidelines, letters, 2020 property tax notice, City of Victoria rezoning and Heritage Designation documents, excerpts from the Conservation Plan, architectural drawings, structural drawings, and structural engineer's letter. The owner / applicant is Pandora Cook Development Corp, Vancouver, represented by parent company Primex Investments Ltd, Vancouver (Greg Mitchell, M.PL., MCIP, RPP, Development Manager).

The prime consultant on the project is MGA | Michael Green Architecture, Vancouver – Michael Green, Architect, AIBC FRAIC AIA, Principal. The engineering consultant for this project is Sorensen Trilogy Engineering Ltd, Victoria – Brian Lange, PEng, Principal. The geotechnical consultant is Geopacific, Vancouver – Matt Kokan. A Conservation Plan for the Parkway Apartments building was prepared by Donald Luxton and Associates Inc dated July 2019.

The proposed construction manager and contractor for the project is Summit Brooke Construction, Abbotsford – Chris Supeene, Director of Operations – Vancouver Island. A quantity surveyor cost estimate was provided by Beacon Construction Consultants Inc, Victoria – Tom Crosbie, PQS, MRICS.

# Tax Incentive Program – Residential Uses Application

The purpose of this report is to review the application and to provide detailed information to assist the VCHT Board of Directors to make a recommendation to Council regarding eligibility for a possible tax exemption period (up to ten years), amount of a partial tax exemption, and any other factors related to the approval of a tax exemption for heritage purposes.

This TIP application is with regard to the historic 1911 building situated on the lots forming the legal description for **1050 Pandora Avenue**. This address is now part of a rezoned and consolidated property for the purposes of new development, referred to in City of Victoria documents as “1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street” – see attached site survey and plans.

All TIP – Residential Uses applications for tax exemption are assessed based on the costs for eligible seismic upgrading costs specific to the conversion of (vacant or underutilized) existing space to residential uses. The authority of local government to provide a tax exemption is limited by provincial legislation for the purposes of heritage conservation.

Two methods are used to determine a potential recommendation for tax exemption:

1. Projects eligible for the City of Victoria Heritage Tax Incentive Program use a calculation to determine the **term of the property tax exemption** based on the cost of seismic upgrading in relation to current property taxes. In this case, the 2020 Property Tax Notice for 1050 Pandora Avenue is used in the formula to determine the term of the property tax exemption as it represents the fairest evaluation of seismic upgrading costs in relation to the pre-rezoning tax assessment for the consolidated property. The 2020 Property Tax Notice for 1050 Pandora Avenue was in effect when the applicant submitted the TIP application on 4 March 2021.
2. The **value of a tax exemption for heritage purposes** that applies to the overall consolidated property (which includes significant new development) is determined by a percentage of Gross Floor Area (or building footprint) of the eligible heritage building in relation to the Gross Floor Area (or building footprint) of the total development. BC Assessment calculates the actual exemption value for each tax year based on the Gross Floor Area of retail commercial space and number of residential units in the heritage building.

## General Project Description

See the attached TIP application including program guidelines, cover letters from Primex Investments Ltd and MGA, Conservation Plan excerpts, architect’s table of take-off calculations, and architectural drawings. The application is made under the Residential Uses stream of the City of Victoria’s Heritage Tax Incentive Program (TIP) for the historic Parkway Apartments building at 1050 Pandora Avenue.

The original Parkway Apartments is a two-storey unreinforced masonry building situated on the corner of Pandora Avenue and Cook Street. First named the Parkway Apartments and later known as the “Wellburn’s Building,” the original historic building was constructed in 1911 and was designed by William Ridgway-Wilson. The existing Parkway Apartments property was consolidated recently with other adjacent lots in order to create a new mixed commercial and residential development which will incorporate the exterior heritage designated building façades as well as a retained portion of the original 1911 historic building structure that is to be seismically upgraded.

The proposed development in its entirety is comprised of 105 purpose-built rental apartments with commercial space at grade fronting onto Pandora Avenue and Cook Street, located on the southeast corner of the North Park neighbourhood. The uses of the original Parkway Apartment building will remain with multiple retail spaces on Level 1 and with seven (7) residential units on Level 2.

# Tax Incentive Program – Residential Uses Application

The approved rezoning development project on the consolidated property at 1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street involves:

- **retention of a portion of the existing historic building structure and historic exterior façade** located on the corner of Pandora Avenue and Cook Street, with seven (7) new residential units on the second level and new reconfigured commercial units with modifications to the exterior commercial storefronts at ground level; no underground parking under the retained portion of the historic building structure;
- **retention of the remaining existing historic exterior building façade only located on Pandora Avenue** with modifications to the commercial storefronts at ground level;
- **construction of a new six-storey building** with residential and ground-level retail commercial plus underground parking, located on Pandora Avenue immediately behind and connected to the existing historic exterior building façade;
- **construction of a new four-storey building** with residential and ground-level retail commercial plus underground parking, located at the rear of the property on Cook Street behind and adjacent to the existing historic building.

Below is more detailed information pertaining to the proposed new development, areas of demolition and retention of the 1911 historic building, exterior façade conservation work, and construction work performed to date, followed by proposed seismic upgrading of the retained heritage building structure.

## Proposed New Development

With respect to the new development on the site, the architect indicates that the articulation and materiality of the new building designs are focused to provide physical and visual compatibility between the new and existing volumes. The architect states that the new development is clad in a monolithic light-coloured stucco that has a smooth finish, which alludes to the materiality and colour of the historic brick façade. He adds that the new façade articulation references proportions and angles of the historic 1911 building, specifically the second floor projecting oriole windows and the richly coloured banding above the windows.

The proposed development at 1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street has a large percentage of new construction. Below is a summary of the architect's Gross Floor Area (GFA) table of take-off calculations as attached, provided after the application was submitted:

Total Residential GFA:	7,360 m <sup>2</sup>	79,225 sf	105 residential rental units total
Total Retail GFA:	1,052 m <sup>2</sup>	11,324 sf	
Total Parking	<u>2,714 m<sup>2</sup></u>	<u>29,214 sf</u>	
<b>Total GFA:</b>	<b>11,126 m<sup>2</sup></b>	<b>119,763 sf</b>	(rounded)

The interior Level 1 and Level 2 GFA's of the retained heritage building equal **879.96 m<sup>2</sup>** (433.29 m<sup>2</sup> Level 1 + 446.67 m<sup>2</sup> Level 2) of the proposed total development GFA of **11,126 m<sup>2</sup>** or **7.91%** **retained heritage building** and **92.09%** **new construction**.

The retained heritage building contains **7** of a total of **105** residential rental units, representing **6.66%** **in the retained heritage building** and **93.34%** **in the new construction**.

The volume of new development is accommodated by full development of the consolidated lots and the height of the new four and six storey buildings in relation to the existing two-storey 1911 historic

# Tax Incentive Program – Residential Uses Application

building fronts on Pandora Avenue and Cook Street. The architect advises in his letter that the design team, in communication with the neighborhood community and with the City's Heritage Advisory Panel, received feedback to strengthen the intent of the new construction to be subordinate to the existing heritage building. The design was subsequently revised to further set back and distinguish the volume of the new residential construction from the faces of the heritage building along both streets.

## Areas of Demolition and Retention of the 1911 Historic Building

The historic use of the Parkway Apartments building was for rental residential apartment units on the second level and varying commercial uses on the ground level. There were originally twelve (12) residential units in the building (pp 46-48, Conservation Plan, DLA). Evidently the interior of the existing heritage building has been removed under a strip out permit issued on 6 November 2020. It is undetermined how many residential units existed in the historic building prior to demolition of the interior as no as-found documents were produced for the project.

As part of the rezoning application approved on 10 December 2020, the City of Victoria approved:

- **designation of the exterior** of the existing building Heritage Designation Bylaw No 20-041;
- **retention of 50% of the existing heritage building structure** located on the corner of Cook Street and the easterly part of Pandora Avenue to be rehabilitated with seven (7) reconfigured residential rental units on the second level (five studios, one 2-BR, one 1-BR) and reconfigured commercial units on the ground level (two shown on A101);
- **demolition of 50% of the existing heritage building structure** located immediately behind a portion of the designated exterior building façade along the westerly part of Pandora Avenue to allow for construction of a new six-storey building with mixed commercial and residential rental units.

NOTE: Council approved the project for 50% retention and 50% demolition of the existing heritage building structure. From the GFA calculation submitted by the architect taken from the architectural drawings, the actual percentage of the existing heritage building structure being retained is **46% excluding exterior walls** or **49.06% including exterior walls**.

The GFA of the original heritage building is **1,792.77 m<sup>2</sup> excluding exterior walls** or **1,891.10 m<sup>2</sup> including exterior walls**. The GFA of the retained heritage building structure is **879.96 m<sup>2</sup> excluding exterior walls** or **927.81 m<sup>2</sup> including exterior walls**; see the area of retained heritage building structure in the attached architectural drawings.

## Architectural Conservation Work on the Building Exterior

The architect indicates in his letter dated 22 October 2020 that a priority of the project is to conserve the heritage value of the historic building through retention of the historic façades on Pandora Avenue and Cook Street and "the expression of the north-west corner of the building." He further states that character-defining elements will be preserved along with any in-kind repairs, as required. The architect indicates in his letter that architectural conservation work on the exterior building façade includes: decorative metal cornices are to be stabilized and repaired; original Edwardian-era windows and doors are to be preserved, refinished, and repaired where necessary, using in-kind techniques as feasible; existing glazed brickwork is to be repointed and repaired; new commercial storefronts are to be built in a manner similar to the original design (note: using aluminum instead of wood).

Long excerpts are attached from the Conservation Plan by Donald Luxton and Associates Inc, including important historic photographs and other visuals that tell the story and history of the building. The

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Conservation Plan lays out in detail a condition assessment and recommended conservation methods to restore and rehabilitate the character-defining elements of the exterior of the 1911 historic building.

The Conservation Plan also identifies interior elements worthy of preservation (pp 37-39), however few if any interior elements are likely to be conserved due to the significant strip out process underway to make way for new residential units to be built within the retained heritage building structure.

The exterior of the existing heritage building on Pandora Avenue and Cook Street is to be conserved and rehabilitated as shown on the architectural drawings dated December 2019, and generally in keeping with the 2019 Conservation Plan by Donald Luxton and Associates Inc, including to:

- remove existing stucco;
- repair and restore original brick cladding;
- refurbish original second storey wood windows;
- remove the existing storefront and rebuild in aluminum to resemble the original wooden storefront;
- install metal cornice and parapet cap flashing details as per the Conservation Plan.

The proposed architectural conservation work to be undertaken at 1050 Pandora Avenue is described in this report with respect to its heritage benefit to the project and the commitment by the applicant to conserve the existing heritage designated building exterior as part of the overall rezoned development.

NOTE: The cost of the architectural conservation work is not considered in the tax exemption formula(s) used for TIP, as the tax exemption is based on seismic upgrading costs for projects to convert vacant or underutilized upper storey(s) to residential use.

## **Construction Work Performed to Date**

The applicant indicated verbally and in writing that construction work and testing undertaken to date by Summit Brooke Construction and Primex Investments Ltd has been done under a Strip Out Permit issued on 6 November 2020. This work includes:

- demolition and removal of the interior of the retained heritage building;
- removal of interior finishes and hazardous materials in the retained heritage building;
- geotechnical testing to determine sizing of existing concrete pads in the retained heritage building;
- investigation and testing to determine best methods to conserve exterior building façade materials such as the cornice and wood building elements;
- investigation and testing of existing exterior masonry to determine scope of conservation work required;
- testing of three different seismic tie-back systems (Cintec, Hilti, and Helical) for the exterior masonry wall of the existing retained heritage building portion.

It should be noted that all testing related to the heritage building was started after the TIP application was submitted. Testing results are not yet completed, which makes proper evaluation of the application difficult to achieve particularly with respect to cost estimates for potential work.

## **2.3 PROPOSED SEISMIC UPGRADING**

See the stamped letter from Brian Lange (Sorensen Trilogy Engineering Ltd) dated 21 January 2021 and the structural drawings for Building Permit dated 12 December 2019 for proposed seismic upgrading work related to the existing retained heritage building structure.

The applicable building code is the 2018 BC Building Code.

# Tax Incentive Program – Residential Uses Application

The letter from Sorensen Trilogy gives a general description of the existing building and the proposed seismic upgrading work. The letter does not describe what seismic deficiencies of the existing 1911 historic building are to be addressed, the intent behind the seismic upgrading design, or the level of seismic upgrading to be executed. In a phone meeting with Brian Lange on 13 May 2021, these issues were discussed in more detail:

1. **Seismic deficiencies:** it was determined that no seismic assessment was done on the 1911 historic building prior to structural design. Brian Lange said that a seismic assessment was not done as they knew that the developer planned to demolish half of the existing building structure. He indicated verbally that seismic deficiencies to be addressed were primarily lateral forces created by openings at the perimeter.
2. **Seismic upgrading design:** Brian Lange advised that the seismic upgrading design intent is to correct lateral force deficiencies. Methods include installation of a two-storey moment frame at the outer wall on the Cook Street, together with enhanced floor and roof diaphragms, improved wood / steel / concrete structural elements and connections, and installation on the second level of shear walls as well as drag struts to transfer loads downward to the concrete perimeter foundation. The existing heritage building will also be connected to the new building at the second floor and roof levels, and shear walls and hold-downs are to be installed on both the existing and the new sides of the joined construction. The connection between the existing exterior masonry façade and the existing building structure is to be seismically strengthened with seismic tie-backs, however the exact method is yet to be determined pending test results.
3. **Level of seismic upgrading:** Brian Lange indicated that the seismic upgrading level for the retained heritage building structure meets 100% of current code based on the requirements applicable to new construction for the development.

## Exclusions from TIP Application

In keeping with TIP guidelines, “Eligible seismic upgrading costs [are] specific to the conversion of **existing space** to residential uses.” It was determined with John O’Reilly, Senior Heritage Planner for City of Victoria, to exclude the façade-only portion of the exterior wall on the westerly section of Pandora Avenue as there is no “existing space” left to be converted to residential use due to demolition.

It was also determined that some elements included in the letter from Sorensen Trilogy (marked in the margin with ‘X’) are not eligible under TIP – Residential Uses, most notably:

- demolition of heritage building fabric for the purposes of new development;
- architectural conservation of the exterior building façade, including masonry work that was not clearly identified for seismic upgrading purposes in the structural drawings and for which no testing was done – see further rationale in 3.1 Eligible Seismic Upgrading Costs;
- work for the purposes of new development, such as underpinning and temporary bracing for the construction of underground parking beneath new development.

## Proposed Seismic Upgrading of the Retained Heritage Building Structure

The existing 1911 historic building at 1050 Pandora Avenue is described as a two-storey unreinforced brick masonry structure with wood floor and roof framing. The building has only a very small basement to house mechanical space; it is otherwise constructed on shallow spread footings with a concrete slab on grade on the Level 1 ground floor. A portion of the existing 1911 historic building at the corner of Cook Street and Pandora Avenue is to be retained, while the rest of the existing structure is to be demolished except for the exterior wall along the westerly section of Pandora Avenue.

# Tax Incentive Program – Residential Uses Application

The retained two-storey heritage building structure is to be seismically upgraded, including masonry tie-backs connecting the exterior wall to the building structure as well as seismic upgrading of the parapet connections to the roof. The existing concrete slab floor on Level 1 is to remain at the same grade without any substantial excavation except for possible re-sizing of concrete spread footings pending geotechnical soil bearing test results. The existing wood floor on Level 2 is to be seismically upgraded and will align with, and be connected to, Level 2 of the adjacent new concrete slab residential building. The ground area surrounding the retained heritage building to the west and north is to be excavated the depth of one storey for construction of a new underground parkade to be built underneath the new residential buildings. The north wall is to be upgraded on Level 1.

See structural drawings S001-S202; S302-S401; S403, S501; sections 10, 11, 15, 16 (parapet bracing) for seismic upgrading design and details. General Notes are provided on S001 and S002 however they may be difficult to read on 11 x 17 copies. See also architectural drawings provided, especially sections on A302, A303, A304, A305, A504, A505-K3. Demolition and retention plans are shown on A900-A904.

A summary of eligible seismic upgrading work for the retained heritage structure is listed below:

- install perimeter concrete curb
- install new two-storey steel moment frame connected to existing floor and roof structure located on Cook Street
- excavation, concrete / foundation, underpinning and temporary bracing related to construction of the moment frame
- upgrade north wall at Level 1
- install new steel beams in existing Level 2 floor framing
- upgrade existing steel perimeter beams
- upgrade existing timber beams with steel channels each side
- upgrade existing timber beam to column connections
- new wood shear walls on second level with drag struts connecting down to concrete slab
- upgrade wood second floor diaphragm
- upgrade wood roof diaphragm
- install new wood beams around perimeter of roof
- connect existing wood floor / roof to new building and install six shear wall hold downs in the existing building (at the west side of the retained structure)
- upgraded roof structure
- seismic bracing of the exterior parapet to the roof of the retained heritage building
- seismic masonry tie-backs to connect the exterior masonry wall to the structure

Seismic upgrading construction work is expected to begin after preliminary approval of the tax exemption and issuance of a building permit by City of Victoria. According to the schedule submitted with the application, construction is expected to take approximately 21 months for the existing building and to take approximately 26 months for the total development project. Assuming City approvals occur in the fall of 2021, the project should be ready for occupancy in late fall of 2023.

# Tax Incentive Program – Residential Uses Application

## 2.4 CITY OF VICTORIA

### City Approvals

Heritage Designation No 20-007 for the exterior of 1050 Pandora Avenue / 1815 Cook Street was approved by City of Victoria at a public hearing on 10 December 2021 as part of the rezoning of the consolidated property – see attached Council Minutes, Zoning Regulation Bylaw No 20-041 and Heritage Designation Bylaw No 20-007. A Housing Agreement Bylaw No 20-042 was also approved to require rental housing. A Heritage Alteration Permit and Development Permit were also approved on the same date. The City of Victoria issued a Strip Out Permit on 6 November 2020. Issuance of a Building Permit is on hold and a six-month extension was granted on 19 May 2021.

## 3.0 ELIGIBILITY FOR TAX EXEMPTION

### 3.1 ELIGIBLE SEISMIC UPGRADING COSTS

See the attached application, structural engineer's letter related to seismic upgrading costs for the retained 1911 building structure, revised cost estimate for 'Heritage Seismic Upgrade' by Summit Brooke Construction (Chris Supeene) submitted on 17 June 2021, and Professional Quantity Surveyor cost estimate for 'Seismic Works' (pages 2-3; 4-5) by Beacon Construction Consultants Inc (Tom Crosbie) dated 13 February 2021. The owner intends to use Summit Brooke Construction for all work.

The contractor cost estimate by Summit Brooke Construction submitted with the TIP application was revised twice following application review to ensure consistency with TIP guidelines. This was required as the original cost estimate for **\$ 3,026,082.10** did not break out any seismic upgrading costs for the retained heritage structure, and the majority of costs were for new construction and architectural conservation including demolition of a portion of the heritage building for new development and construction costs related to the new underground parkade adjacent to the existing retained structure – see attached 'Revised #2 Summit Brooke Seismic Upgrading Cost Comparison' for a cost breakdown.

The two seismic upgrading cost estimates reviewed in this report were prepared as follows:

- 1) **Summit Brooke Construction** second revision on 17 June 2021, based on the MGA architectural drawings and Sorensen Trilogy structural drawings, as well as on requirements for revisions to the cost estimate provided by the City's Senior Heritage Planner and the VCHT Executive Director to remove ineligible work. The second revised estimate includes a quote for structural steel from Alliance Engineering Works dated 18 January 2021 and a quote for seismic masonry tie-backs from Rob Tournour Masonry (RTM). The quote from RTM provides prices for three different types of seismic tie-back systems: Cintec, Hilti, and Helical. The decision about which seismic tie-back system to use has not been made yet, pending test results. The contractor indicated an expectation to use the Cintec tie-back system, which is the price included in the cost estimate. The lower prices for the other tie-back systems are listed below.
- 2) **Beacon Construction Consultants Inc** dated 13 February 2021 was submitted by the applicant with the TIP application on 4 March 2021 to provide a second cost estimate in keeping with TIP guidelines. The cost estimate is based the MGA architectural drawings, Sorensen Trilogy structural drawings, and the Conservation Plan by Donald Luxton and Associates Inc. The cost estimate includes costs for architectural conservation, however the seismic upgrading costs are correctly separated out and are clearly identified in terms of scope and exclusions.

NOTE: Cost estimates exclude work on the façade-only section of existing exterior wall on the westerly section of Pandora Avenue, demolition of the existing heritage building, all new construction for new development and associated work, excavation costs for underground parking, architectural conservation costs except for the seismic tie-back system on the retained heritage building, temporary bracing except related to construction of the seismic moment frame, contingency allowance, and GST.

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See the attached spreadsheet 'Revised #2 Beacon + Summit Brooke Seismic Upgrading Cost Comparison with Cintec Tie-Backs' which shows a more detailed cost breakdown for the proposed seismic upgrading work at 1050 Pandora Avenue. A cost summary by category is provided below:

	<b>Estimate #1</b>		<b>Estimate #2</b>	
	<b>Summit Brooke Construction</b>		<b>Beacon Construction Consultants</b>	
General Requirements	<i>see below</i>		<i>see below</i>	
Site Work	\$ 20,600.00		\$ 24,404.00	
Concrete	\$ 29,124.00		\$ 51,242.75	
Structural Steel	\$ 184,240.00		\$ 332,107.60	
Wood	\$ 139,500.00		\$ 91,098.00	
Masonry	<u>\$ 193,500.00</u>	<i>Cintec tie-backs</i>	<u>\$ 12,600.00</u>	<i>tie-backs not included</i>
Subtotal 1	\$ 566,964.00		\$ 511,452.35	
General Requirements	<u>\$ 56,696.40</u>	10%	<u>\$ 51,145.24</u>	10%
Subtotal 2	\$ 623,660.40		\$ 562,597.59	
Contractor Fee	\$ 31,183.02	5%	\$ 56,259.76	10%
<b>Total</b>	<b>\$ 654,843.42</b>		<b>\$ 618,857.34</b>	
	<b>Lowest Seismic Estimate:</b>		<b><u>\$ 618,857.34</u></b>	

The estimated total project cost provided by the applicant, including heritage and all new development costs, is **\$ 27,639,385.90** based on a Class B Estimate dated 23 December 2020, submitted on 7 May 2021 by Primex Investments Ltd. The lowest seismic upgrading cost estimate represents **2.24%** of the total project cost.

If the Hilti or the Helical masonry tie-back systems are used instead of the more expensive Cintec masonry tie-back system, the total contractor costs will be reduced as follows:

### Hilti Tie-Back System

See the attached spreadsheet 'Revised #3 Beacon + Summit Brooke Seismic Upgrading Cost Comparison with Hilti Tie-Backs.' The RTM quote for Hilti tie-backs is reduced from \$ 193,500.00 (for Cintec) to **\$ 132,000.00**, which reduces the total seismic upgrading cost to **\$ 583,810.00**. This becomes the lowest estimate, yielding a tax exemption period of 9.8 years (likely rounded to 10 years).

### Helical Tie-Back System

See the attached spreadsheet 'Revised #4 Beacon + Summit Brooke Seismic Upgrading Cost Comparison with Helical Tie-Backs.' The RTM quote for Helical tie-backs is reduced from \$ 193,500.00 (for Cintec) to **\$ 98,000.00**, which reduces the total seismic upgrading cost to **\$ 544,540.92**. This becomes the lowest estimate, yielding a tax exemption period of 9.2 years (likely rounded to 9 years).

## 3.2 CURRENT PROPERTY TAXES

The total 2020 property taxes for 1050 Pandora Avenue are **\$ 59,448.26**, based on when the TIP application was submitted on 4 March 2020 – see attached 2020 Property Tax Notice. NOTE: The total 2021 property taxes for 1050 Pandora Avenue increase to **\$ 89,968.32** after mid-May 2021. It was determined to use the 2020 property tax value to be consistent with past practice, based on the available property tax notice on the date the application was received.

# Tax Incentive Program – Residential Uses Application

## 3.3 ELIGIBLE TAX INCENTIVE

### Special Considerations

The TIP application for 1050 Pandora Avenue is the first to be reviewed for a requested tax exemption that involves demolition of heritage property for the purposes of new development and a portion of retained heritage fabric being façade-only with no existing heritage space located behind it to be seismically upgraded. These issues required work with the City's Senior Heritage Planner to develop an approach to calculate a potential tax exemption that is fair and transparent to the owner and to the City of Victoria with respect to public benefit, value of the incentive, and amount of tax revenue forgone. Special considerations in this context are addressed below.

Two steps are used to calculate the eligible tax exemption for TIP - Residential Uses projects:

### Step 1: Determine the Length of the Eligible Tax Exemption Period

The first step determines the eligible tax exemption period in years (to a maximum of ten years) based on the number of years needed in current property tax value to offset the lowest estimated cost of seismic upgrading for the applicable heritage building.

The value of a ten year tax exemption for 1050 Pandora Avenue at the 2020 property tax rate is **\$ 594,482.60** (10 years x \$ 59,448.26). Based on the formula used to determine the eligible term of tax exemption under TIP for Residential Uses, 1050 Pandora Avenue is potentially eligible for the maximum ten year tax exemption, as the lowest estimated cost of seismic upgrading exceeds the value of existing property taxes multiplied by the maximum number of ten years.

$$\text{Cost of seismic upgrading} = \$ 618,857.34 > \$ 594,482.60 (\$ 59,448.26 \times 10 \text{ years})$$

Step 1 is typically all that is required for a straightforward TIP application project that does not involve new development or demolition affecting heritage property, and / or complex consolidation of lots.

### Step 2: Determine the Partial Tax Exemption Applicable to the Heritage Building

TIP is limited to seismic upgrading of the heritage building and incentives do not apply to new construction on consolidated property. The scope of the total project at 1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street includes the retained portion of the existing heritage building that is eligible for TIP as well as the façade-only section of exterior wall and new construction that is not eligible for TIP. The eligible portion of the retained heritage building located at 1050 Pandora Avenue is small compared to the amount of proposed new construction. The approach to calculating the applicable partial tax exemption should: 1) offset the estimated cost of seismic upgrading of the heritage building, and 2) represent a fair proportion of the built area for tax exemption purposes.

### Calculation of the Eligible Partial Tax Exemption

The eligible partial tax exemption is calculated as a percentage of the GFA (or the building footprint) of the eligible heritage building in relation to the GFA (or the building footprint) of the overall development. The GFA for the retained heritage building structure (Levels 1 and 2) for 1050 Pandora Avenue in relation to the overall development at 1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street is as follows:

1050 Pandora Avenue (retained heritage)	<b>879.96 m<sup>2</sup></b>	=	<b>7.91%</b>	<b>GFA</b>
New Construction	10,245.93 m <sup>2</sup>	=	92.09%	GFA
<b>Total Gross Floor Area</b>	<b>11,125.89 m<sup>2</sup></b>		<b>100.00%</b>	<b>GFA</b>

NOTE: The applicable GFA excludes: the exterior walls for the retained heritage building structure; the remaining façade-only exterior wall on the westerly portion of Pandora Avenue; all new construction.

# Tax Incentive Program – Residential Uses Application

Based on the GFA's listed above the 10 year tax exemption for the heritage portion of the proposed project would be at the rate of **7.91%** of the assessed value for the consolidated property. By comparison, the retained heritage building contains **7** of a total of **105** residential rental units, representing **6.66%** in the retained heritage building and **93.34%** in the new construction.

NOTE: For 727 Yates Street, the most recent TIP project reviewed in 2020, BC Assessment proposed a technical adjustment to its calculation of the **actual value of the tax exemption each year** for complex projects on consolidated property. The technical adjustment by BC Assessment calculates the value of the tax exemption each tax year based on the **GFA for retail commercial use** excluding the exterior walls, plus the **number and type of residential units**, located within the eligible heritage building. The after-construction property assessments are to be determined by BC Assessment in each tax year of the exemption period using the City's tax rate for that current year.

The technical adjustment was proposed due to there being: 1) a partial tax exemption for heritage purposes on consolidated property with significant development, and 2) variable amounts of taxes exempted in each year of the approved tax exemption period. The method of calculating a partial tax exemption as a percentage of GFA (or building footprint) will still be used for all TIP projects, however the City agreed that, moving forward on similar complex TIP projects, BC Assessment will use the technical adjustment each tax year to calculate the actual value of the tax exemption.

The City and BC Assessment determined the technical adjustment on the partial tax exemption for the retained heritage structure at 1050 Pandora Avenue to be based on the interior GFA (per square metre) as generated by MGA from the Building Permit drawings dated 12 December 2019, and as submitted by Primex Investments Ltd on 29 April 2021 – see the attached architect's take-off table:

**433.29 m<sup>2</sup>** GFA for Group E Retail

**7 Residential Rental Units:** five studio units, one 2-BR unit, one 1-BR unit

The final GFA's and number / type of residential units should be verified by the City of Victoria, prior to final approval of the tax exemption bylaw, based on final building permit drawings or as-built drawings.

## 3.4 RECOMMENDATION TO COUNCIL

The property at **1050 Pandora Avenue (1911 Parkway Apartments)** is eligible for a **tax exemption period of ten (10) years** with a **partial tax exemption of 7.91%**, and the amount of the eligible heritage property tax exemption to be based each tax year on the assessed value of 433.29 m<sup>2</sup> Gross Floor Area for Group E Retail and seven Residential Rental Units (comprised of five Studio units, one 2-BR unit, one 1-BR unit), for the portion of retained heritage building structure situated on the legal property description for 1050 Pandora Avenue of Amended Lot 14 (DD 106561I), 15 & 16, Suburban Lot 15, Victoria City (PID 003-782-531; Folio No 01-495-006) and forming a part of the consolidated property of 1050-1058 Pandora Avenue / 1508-1516, 1518 and 1580 Cook Street, subject to: Council's approval and the project meeting all other City requirements; verification of final seismic upgrading costs to meet or exceed the threshold of \$ 594,482.60 (10 years x 2020 property taxes of \$ 59,448.26) as required to justify a ten-year tax exemption based on the lowest seismic upgrading cost estimate and categories of work as submitted; and, final verification of the Group E Retail Gross Floor Area and the number and types of residential rental units in the retained heritage building structure.

## 4.0 PRESENTATION

Greg Mitchell, representing Primex Investments Ltd on behalf of the owner Pandora Cook Development Corp, plans to attend the Architectural Conservation Committee meeting via MS Teams video conference on 5 July 2021 at approximately 12:45pm.