



Victoria
CIVIC
HERITAGE
TRUST

City of Victoria
1 Centennial Square
Victoria, British Columbia V8W 1P6
Attention: Mayor and Council

28 February 2017

**Recommendations to City of Victoria
Application for Ten Year Tax Exemption
Downtown Heritage Tax Incentive Program for Residential Conversion**

**506 Fort Street (Pacific Transfer Building)
Lot 1, Section 18, Victoria, Plan 29564; PID 001-375-547; Folio No 01067016**

Dear Mayor and Council:

The Board of Directors of the Victoria Civic Heritage Trust (VCHT) reviewed a Tax Incentive Program - Residential Uses (TIP) application submitted by 506 Fort Street Holdings Ltd for **506 Fort Street (Pacific Transfer Building)** at its meeting held on 27 February 2017.

Seismic upgrading construction began on 506 Fort Street prior to submission of a TIP application, technical review, and tax exemption approval by City of Victoria. Seismic upgrading work was completed and inspected on 4 January 2017. In mid-November City staff referred a TIP application for 506 Fort Street to the VCHT for technical review and recommendation to Council, with a question of evaluation being whether the application would have been recommended for tax exemption if the work was not already done. In this regard the applicant was asked to submit relevant seismic upgrading design and costing information received prior to construction.

The owner requests a ten-year tax exemption based on the scope of work for seismic upgrading as specified by the Project Engineer, Wade Griffin, PEng, LEED AP, Principal, Skyline Engineering Ltd, Victoria. Eligible seismic upgrading costs submitted in a stamped letter from Curtis P Miles Architect total **\$267,349.45** [Revised 31 Jan 2017]. A second seismic cost estimate submitted by the applicant from BTY Group (Vancouver) is \$322,800.00 [Revised 9 January 2017]. The total construction cost including interior improvements is estimated at **\$1,200,000.00**. See attached report revised 27 February 2017.

The 2016 Property Tax for 506 Fort Street is **\$26,333.56** including all municipal, school, and other regional taxes. The technical cost formula used to determine the eligibility threshold for a maximum ten year tax exemption is the number of years x property tax, or $10 \times \$26,333.56 = \$263,335.60$. The estimated seismic upgrading costs for 506 Fort Street of **\$267,349.45** exceed the technical cost formula for a ten year tax exemption period.

A technical review of the project was undertaken by our Architectural Conservation Committee (ACC) on 16 January 2017. The VCHT Board of Directors accepted the ACC recommendation that the application be tabled pending clarification of heritage designation, as well as further clarification of costs and the TIP retroactivity policy. After lengthy consideration at its meeting on 27 February 2017 the VCHT Board of Directors approved recommendations to the City of Victoria:

Subject to heritage designation, the residential conversion project at 506 Fort Street (Pacific Transfer Building) meets the technical cost formula established to determine the eligibility threshold for a tax exemption period of Ten (10) Years, subject to Council's approval and the project meeting all other City requirements, final site visit and verification of final costs. The project does not meet Tax Incentive Program Policy adopted by City of Victoria that "City Council approval of the tax exemption must occur prior to the commencement of any work on the proposed project." (Program Conditions, 3.6 - as attached)

...2

Further:

If the Tax Incentive Program application for 506 Fort Street is approved, it is recommended that Council immediately pass a motion to prohibit any retroactive Tax Incentive Program applications that do not meet the City of Victoria's policy that "City Council approval of the tax exemption must occur prior to the commencement of any work on the proposed project." (Program Conditions, 3.6)

and:

If the tax exemption application for 506 Fort Street is not approved, it is recommended that Council immediately pass a motion to reaffirm its Tax Incentive Policy that "City Council approval of the tax exemption must occur prior to the commencement of any work on the proposed project." (Program Conditions, 3.6)

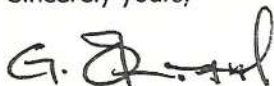
Based on nineteen years of effective policy, practice, and precedent for the City's award-winning Tax Incentive Program, the VCHT strongly cautions against the effects of approving retroactive application(s) or changes to the approved policy:

- Sets precedent for any TIP policies or guidelines to be challenged
- Sets precedent for future TIP applications to apply retroactively
- Sets precedent for any past seismic upgrading projects since 1998 to apply for retroactive application (as well as potential legal challenges if not approved)
- Unfair to other applicants who have gone through the process and have followed TIP policies
- Staff cannot work directly with applicants at the earliest stage to provide advice, expedite and minimize work, ensure accurate costing, maintain a fair, clear and transparent review process
- Opens the door to potential abuse and inaccurate or untrustworthy cost information
- Very costly in terms of significant extra time and expense to conduct the review process, for applicants, staff and VCHT volunteer time
- Unpredictable workload that is unnecessary, unwieldy, unmanageable and unsustainable
- May affect expansion of TIP if approved policies are not upheld

The VCHT Board wishes Council to be aware that the TIP application for 506 Fort Street was especially difficult and time consuming to review as it did not comply with the Program Conditions 3.6 and published TIP policy that **"the tax exemption will not be given retroactively and work must not commence before approval is given"** (Heritage TIP Application – Residential Uses Information, page 2).

Please do not hesitate to contact our office should you have any questions regarding our review and recommendations.

Sincerely yours,



Greg Ovstaas
Vice-President
per Bruce Johnson, President



John Knappett
Past President
Acting ACC Chair on 16 January 2017

attachments

copy: Ms Merinda Conley, Senior Heritage Planner, City of Victoria