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MEMORANDUM

May 12, 2011

TO: Mayor and Council

CC: Penny Ballem, City Manager
Sadhu Johnston, Deputy City Manager
Janice MacKenzie, Deputy City Clerk
Mairi Welman, Director, Corporate Communications
Dave McLellan, General Manager, Community Services
Lee Malleau, CEO, Vancouver Economic Development Commission

FROM: Brent Toderian, Director of Planning

SUBJECT: Job Lands Development Update

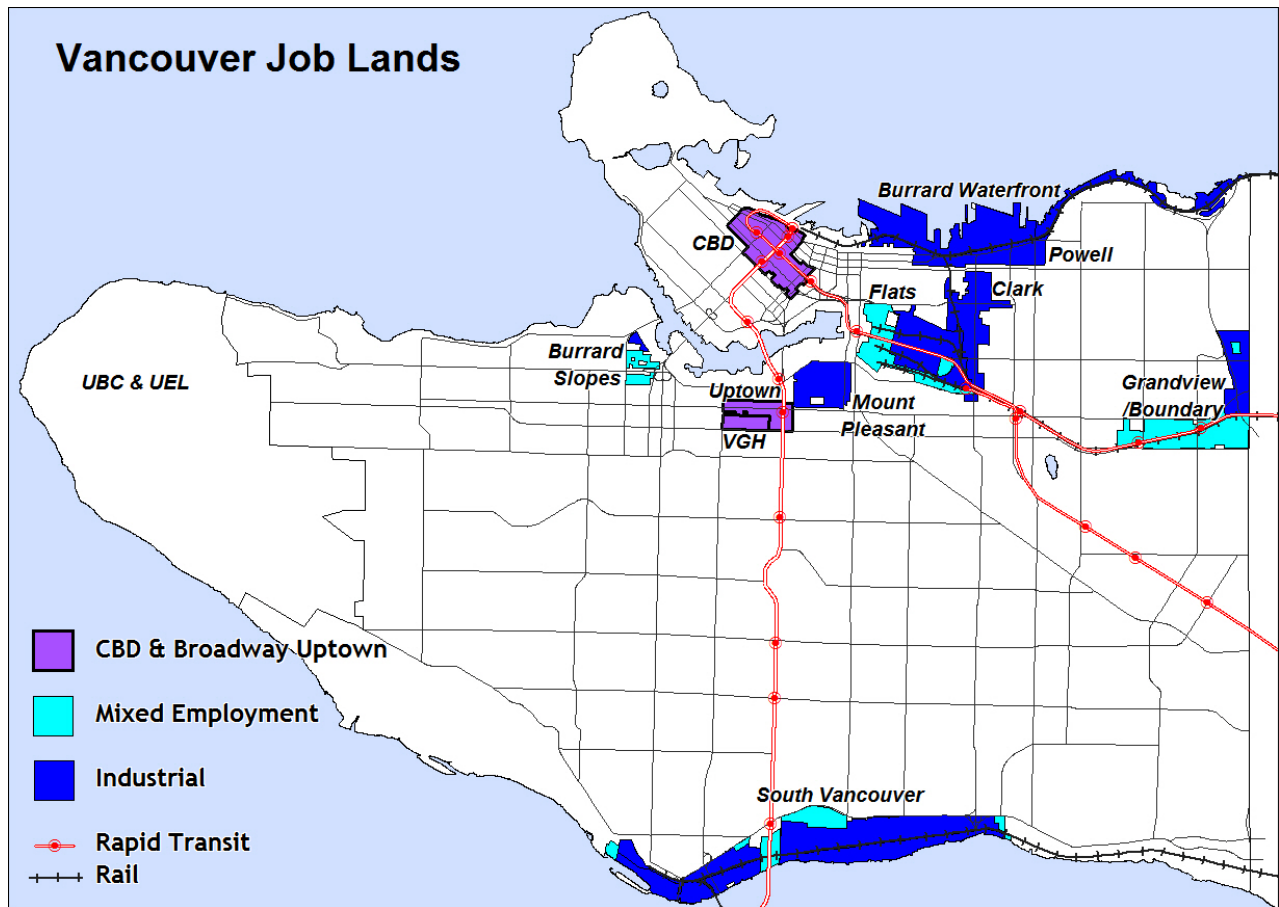
In response to recent Council questions and requests, this memo provides an update on development activity in the city's job lands, or lands intended for employment uses. These strategically important areas are the key to future job growth and economic development across all sectors, and staff believe that recent development activity is a positive response to recently adopted Council policy, combined with continued favourable market conditions.

Vancouver's job lands include the Central Business District (CBD), the Broadway Uptown Office District, and the industrial and mixed employment areas located across the City. (See Map below.) These areas represent only 10% of the city's land base, yet account for 50% of our jobs.

Council decisions regarding the city's job lands have helped ensure that our economy can grow and diversify, maintain our jobs/housing balance, and continue to serve the needs of residents and businesses. These decisions also provide a policy framework that is closely aligned with the sustainability goals in Vancouver Green Capital, Greenest City 2020, and the Metro Vancouver Regional Growth Strategy.

The following sections describe Council policies for the various job lands and highlight projects that have recently completed or been approved, or are at the enquiry stage. For comparison purposes, a description of development projects since 2001 is also provided. In addition, a list of recent office projects is attached for your interest. This list does not include recent confidential enquiries, as per our usual practice.

Memo to Council - Job Lands Update



Central Business District

Until recently, we were told by office developers that building stand-alone office was not viable due to high construction costs and land costs that were more reflective of residential uses. As a result, the relatively limited amount of office space that was developed Downtown during the last few years was generally in the form of mixed use buildings, where the office component was negotiated or required as part of the rezoning process.

Mixed use buildings, while representing opportunity in some situations, are not the solution to our long term office space needs. Our survey of Downtown businesses during the Metro Core Study revealed that most businesses prefer commercial-only buildings. Moreover, our biggest office developers generally do not invest in mixed use buildings that have a strata component because they need to retain their asset over the long term. There are also structural and design challenges that create inefficient office floor plates due to the provision of separate residential and commercial elevator cores. Most importantly, mixed use zoning increases land values to the point where office projects require residential in order to be viable.

Council's adoption in 2007 of the Metro Core Jobs and Economy Plan confirmed that the CBD, which represents about 20% of the downtown area, is now intended primarily for job space. Subsequently, Council's approval of CBD zoning changes in 2009 brought clarity and certainty

to the office market, and protected and expanded the commercial capacity of about 25 potential redevelopment sites to meet our projected long term job space needs. We believe that these policies, combined with favourable economic conditions, are the key reasons for the resurgence of new office proposals in the downtown.

In spite of the latest recession, downtown office vacancy rates have remained near 4.5% (7% vacancy is considered a balanced market), and lease rates have remained stable or risen. While there are several significant office projects now being contemplated, we do not anticipate that they will all proceed in the near to mid term future. The decision to build office depends on many market conditions including lease and vacancy rates, balanced against the availability of development sites, pre-lease commitments, financing costs, the price of land, and construction costs.

The following statistics help to illustrate the positive impact of Council's decisions. In 2001, three stand alone office towers were under construction in the CBD, totalling just over one million square feet. No other stand alone office construction has started since then, other than completion of phase 2 on the Bentall V project. Since adoption of the Metro Core CBD policies, three stand alone office projects have been approved and an additional three projects are at the review stage, for a total of over 1.6 million square feet. As well, the City has received a number of office tower enquiries that are still confidential. Altogether, these projects provide a strong signal of confidence in the future CBD office market.

Broadway Uptown Office District

The Uptown Office District, spanning Broadway from Oak Street to Yukon Street, is the City's "second downtown." The area is located at a major transit crossroads, being served by the Canada Line and the 99 B-Line. Uptown also has the region's (and province's) second largest concentration of job space and contains major employers such as the Vancouver General Hospital (VGH), City Hall, and numerous health-related offices and research facilities.

Council approval of the Metro Core policies confirmed the employment role of Broadway Uptown and enabled rezoning to higher office densities. Since approval of the Metro Core policies, two significant office projects have been approved and a third is at the enquiry stage, for a total of almost 300,000 square feet. In contrast, over the previous ten years, only one commercial office building was constructed, 80,000 square feet of office in the Crossroads mixed use development.

The Central Broadway Planning Program, currently underway, is re-examining the entire Broadway C-3A zoned corridor, including Broadway Uptown. Specific directions for Uptown include looking at additional ways to increase commercial capacity by increasing height and density. Recommendations for zoning changes will be presented to Council in late 2011.

Industrial and Mixed Employment Areas

Compared to the City's office districts, businesses located in industrial and mixed employment areas require more affordable land and lease rates. These businesses provide a wide range of goods and services, and as population and jobs continue to grow in the City and the region, they will play an increasingly important role in serving our future needs.

Council directed staff to review future roles and opportunities for industrial and mixed employment areas, and report back with recommendations that address Council priorities for economic growth, green/creative economic development, and job intensification. This work is currently underway, including consultation with academics such as Dr. Tom Hutton, Greenest City 2020, Vancouver Economic Development Commission, and industry groups such as NAIOP, the Port and Airport. Staff expect to report to Council in Fall 2011.

The following sections highlight current policies and recent development activity in the industrial and mixed employment areas.

Industrial Areas

Industrial area zoning permits industrial and service uses along with limited amounts of office and retail space. Located near the major road, rail, port, and airport facilities, these areas also provide a strategic goods movement function.

Business activity is diverse and includes production, distribution and repair (PDR), as well as green and creative industries. Some examples are: laundry plants, bakeries, catering, food wholesaling, furniture and clothing manufacturing, equipment rental, repair services, building supplies and maintenance, sound/film/graphics production, model building, bio-tech labs, environmental technologies and recycling.

Recent Council decisions regarding industrial areas include: confirming the retention of industrial zoning in the South Vancouver Industrial Area; and approving the Metro Core Jobs and Economy Plan directions to strengthen the PDR function of industrial areas surrounding the Downtown. City involvement in the new Regional Growth Strategy also reinforced the importance of preserving industrial lands.

As part of the Metro Core policy directions, work is underway in the Mount Pleasant industrial area to look at ways to increase service and office uses while maintaining a viable PDR function. The study will also explore parking strategies that support sustainable transportation modes and the re-use of existing industrial buildings.

Development in Vancouver's industrial areas has been fairly steady and evenly paced over the years, and vacancy rates for industrial space remain low at about 4%. Since 2001, about 2.5 million square feet were constructed or approved in several projects located in all industrial areas. A 250,000 square foot strata industrial building is now under construction on Kent Ave in South Vancouver. Other notable examples include: higher density mixed industrial/office buildings in Mount Pleasant; City works yards in False Creek Flats; Vancouver Film Studios in Grandview/Boundary; and public storage warehouses that replace warehouses displaced from Downtown South.

Mixed Employment Areas

Mixed employment areas accommodate the same uses as industrial areas. In addition, rezoning policies permit higher office densities and a focused area for large format retail uses.

In 2009, Council adopted the *Rezoning Policy for General Office in High Technology Districts*, which allows rezoning for more office uses in areas next to rapid transit stations. This policy

has provided more certainty at a time when the demand for high-tech office space has not been sufficient to justify development. The result is new construction that provides large floor plate office space to complement the job space downtown.

Prior to approval of the office rezoning policy, development in mixed employment areas was quite steady. However, office development was limited. Since 2001, about 2.5 million square feet were approved in a variety of office, retail and industrial projects. Notable examples include: one Canadian Tire store on Grandview Highway and a second under construction on SW Marine Drive; two bio-tech labs in the False Creek Flats; and phase one of Broadway Tech Centre at Broadway and Renfrew.

Since approval of the 2009 rezoning policy, interest in office projects has increased considerably. In False Creek Flats: two sites have approved zoning for a total of 330,000 square feet; and a third site has a rezoning application for 220,000 square feet. In Grandview/Boundary: three office buildings are currently under construction at Broadway Tech Centre, totalling 330,000 square feet; another site has approved zoning for 480,000 square feet; and a third site has a rezoning application for 900,000 square feet. As with proposals in the CBD, not all projects may develop in the near term, but these are positive indicators.

A planning program for the False Creek Flats is anticipated to begin in Fall 2011. Initial considerations include: integrating the hi-tech/office areas into the surrounding neighbourhoods; exploring long range land use and transportation directions; and maintaining the industrial/service role of the eastern portion. Planning will also align with Council priorities expressed in Vancouver Green Capital and Greenest City 2020.

Conclusion

Recent development projects demonstrate the success of Council's current and emerging job lands policies and highlight the importance of maintaining locations for job lands. The decisions of Council in adopting these policies, and supporting continued planning for job lands, create a framework for continued job growth not just in the current development cycle, but for the next 30 years. This is clearly the hallmark of a strong and sustainable city.

If you have any questions or want further detail, please don't hesitate to contact me or Paul Nowlan, Planner, City-Wide and Regional Planning: 604.873.7712 paul.nowlan@vancouver.ca.

Yours truly,

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Attachment

Office Space Update March 2011

Note: Office floor area of projects is shown in brackets.

Completed in 2009/2010

Downtown

- 1022 Seymour (24,400 sq ft) - office (mixed-use)
- Woodwards (75,000 sq ft) - office (mixed-use)
- Atelier (20,200 sq ft) - office (mixed-use)
- Yaletown Brewpub (22,000 sq ft) - office addition (commercial building)
- 122-138 W Hastings (48,000 sq ft) - office renovation

Outside Downtown

- Crossroads (80,000 sq ft) - office (mixed-use)
- 1669 E Broadway (52,000 sq ft) - stand alone office

Under Construction

Downtown

- Hotel Georgia (71,500 sq ft) - office (heritage, mixed-use)
- Jameson House (60,000 sq ft) - office (heritage, mixed-use)
- Beasley (14,000 sq ft) - office (mixed-use)
- 1132 Hamilton (30,000 sq ft) - office addition (commercial building)

Outside Downtown

- Broadway Tech 5 (79,000 sq ft) - stand alone office
- Broadway Tech 7 (79,000 sq ft) - stand alone office
- Broadway Tech 4 (173,000 sq ft) - stand alone office

Development Approved / Rezoning Approved

Downtown

- 745 Thurlow; Bentall (380,000 sq ft) - rezoned; stand alone office
- 800 Griffiths Way; Rogers Arena (240,000 sq ft) - approved; stand alone office
- 1021 W Hastings; University Club; Oxford (290,000 sq ft) - approved; stand alone office

Outside Downtown

- 538 W Broadway (80,000 sq ft) - rezoned; stand alone office
- 984 W Broadway (85,000 sq ft) - rezoned; stand alone office
- 1553 Main St; Onni (84,500 sq ft) - rezoned; office (mixed-use)
- 1980 Foley St; Discovery Parks (250,000 sq ft) - rezoned; stand alone office
- 1618 Station St; Angiotech (81,000 sq ft) - approved; stand alone office
- 2665 Renfrew (480,000 sq ft) - rezoned; stand alone office

Development Review / Rezoning

Downtown

- Granville & Robson (25,000 sq ft) - review; stand alone office (heritage façade)
- 1290 Burrard; Pattison/Reliance (200,000 sq ft) - rezoning; office tower (mixed-use)
- 500 blk W Georgia; Telus/Westbank (500,000 sq ft) - rezoning; stand alone office

Outside Downtown

- 428 Terminal Ave; Rize Alliance (220,000 sq ft) - rezoning; stand alone office
- 3030 E Broadway; Bentall (900,000 sq ft) - rezoning; stand alone office
- Marine Gateway; PCI (210,000 sq ft) - rezoning; office (mixed-use)