

January 25, 2017

To: Mayor and Council

Re: Facilitating Growth in Vancouver's Innovation Economy – Railtown-Zoning and Development By-law Amendments for I-4 (Historic Industrial) District

I write to Mayor and Council as a resident of the City of Vancouver (1275 Pacific Street), Principal and CEO of Omicron (a Vancouver based 150 person integrated Design, Construction and Development Company) and a property owner in the Railtown area.

We have reviewed the Policy Report for Facilitating Growth in Vancouver's Innovation Economy – Railtown-Zoning and Development By-law Amendments for I-4 (Historic Industrial) District. Vancouver has an exciting future in the digital world and that why we strongly **oppose** the proposed Amendment for I-4 zoning.

We note that following the presentation of the DTES Plan policy 6.8.1, Council directed staff to address the following:

- Affirm and update Railtown's role as a historic warehouse district with a mix of local, regional, national, and global serving industrial and office uses.
- Explore changes to industrial zoning classification of Railtown, or a portion thereof, to support additional office use which aligns with the evolving cluster of technology-related small businesses while maintaining a minimum requirement of 50% industrial use, consistent with industrial land policies.

Historical Context Report

The October 20, 2015 "Historical Context Report Railtown Industrial Area" provides an excellent description of the historic background for the neighbourhood. It states:

"The area is valuable for its continued and growing use as a post-industrial precinct, seen particularly in the adaption and re-use of buildings in the area for high-tech firms, Entrepreneurial talent in high-tech, industrial design and other areas of creative business have given rise a new community presence and an evolving district character within the boundaries of Railtown."

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Gastown, initially, and Railtown afterwards have become preferred locations for many tech start-ups. The industrial spaces with their high ceilings and brick and wood structures are attractive to these companies for the environment for creativity and innovation. The edginess of the location with other likeminded professionals in the other design-based businesses creates a special neighbourhood. Companies such as Hootsuite and Invoke Media have all started in Railtown. As these companies grew, they have not been able to find space in Railtown and have moved to other locations in the City. Moving a high growth company is an expensive, disruptive and distractive process for these successful and prominent digital businesses.

Digital Strategy and Innovation Economy Roundtable

The Digital Strategy of 2013 identified the need to review zoning bylaws to remove or minimize impediments to growth in Vancouver's key digital cluster districts. Railtown was identified as one of the districts. The new I-4 zoning should address these impediments to growth.

As part of the May 2016 Innovation Economy Roundtable, Council directed staff to identify immediate quick starts to better enable the Innovation economy. Railtown was identified as one of the near-term opportunities.

- Council approved local area plan and directed staff to review zoning to accommodate the growing tech without displacing the industrial space.
- Emerging policy is to consider a mix similar to the Mount Pleasant Industrial Area with creative manufacturing uses.

M-2 Zoning

The current M-2 Zoning for Railtown allows for an Outright Approval Use for Software Manufacturing. Software Manufacturing is defined as "the use of premises for manufacturing computer software in bulk, and includes copying, packaging, sorting and shipping." It is noted that this definition was first established in 1995 to permit an outright use in all industrial districts at the same FSR as other manufacturing uses.

There is a Conditional Approval Use of Office including General Office. The definition for General Office Use includes Information Technology and desktop publishing. Information Technology means "the development or production of computer software, and the design or research of computer, electrical, electronic or communications equipment, and similar products." The current zoning states that "floor area in general office use shall not exceed 235 m² or 25% of the total gross floor area of all principal and accessory uses combined, whichever is greater."

The current requirement does not allow for enough space in Railtown for the Information Technology industry. This is evident by start-up tech companies not being able to remain in Railtown as they grow and new companies not being able to find premises in Railtown. Considering over 43% of the current real estate mandates in the marketplace are for

technology firms the new I-4 Zoning should recognize this. Further, extrapolating the growth in this market segment means that within two (2) years, technology mandates could make up over 50% of the market.

Proposed I-4 Zoning

The proposed I-4 Zoning allows for an Outright Approval Use for Information Communication Technology Manufacturing. We understand from the Mount Pleasant Industrial Area – Amendments to the Zoning and Development By-law that there is a proposal by staff to remove outdated definitions related to computer technology and replace them with updated definitions. Software Manufacturing is now updated with a definition for "Information Communication Technology Manufacturing."

There is a proposed Conditional Approval Use for Creative Products Manufacturing. The proposed By-law amendment definition is "the use of premises for the creation, development, prototyping and marketing of products that are the result of a customized design process, including but not limited to: clothing design, furniture design, industrial product design, technological equipment design, and similar uses." Although this would describe the process for the development and marketing of much of the digital information technology sector, the definition is silent on this. The examples of the types of businesses listed results in an end product that has physical dimensions and mass as compared to the digital information created, developed, prototyped and marketed by the information technology sector. Both end products are of value to the consumer. **The new definition should be carefully defined to be inclusive of this sector.**

There is a proposed Conditional Approval Use for Office including "Digital Entertainment Information and Communication Technology." Our understanding from the Mount Pleasant Industrial Area – Amendments to the Zoning and Development By-law is that there is a proposal by staff to introduce a new definition for "Digital Entertainment and Information Communication Technology" and "means the use, design or development of technology to process digital information and / or deliver a broad range of digital products and services..." A new definition for "General Office, which means the use of premises for any office use, including Digital Entertainment and Communication Information Technology..." has been added.

The proposed amendment for I-4 states that the "floor area in Office use must not exceed 25% of the total gross floor area of all principal and accessory uses combined." Based on this proposed amendment, there is no difference between the current M-2 zoning for allowable area and the proposed I-4 zoning for floor area for digital based technology.

While the Staff proposal to amend the Zoning in Mount Pleasant Industrial Area has addressed more space for digital and technology uses this is not the case for Railtown. The "mix" is not at all similar to Mount Pleasant.

We do not believe that this supports Council's stated goal for Railtown to "support additional office use which aligns with the evolving cluster of technology-related small businesses." We believe that the proposed

amendments only updates outdated definitions related to computer technology, but does not address the goal to permit additional light industrial uses including those with a significant amount of research and development activities with a particular focus on digital entertainment and information communication technology use.

Proposed Revision of Staff Recommendation

In order to achieve the goal to support office use which aligns with the evolving cluster of technology-related small businesses, we would urge Council to support the following change to the definition:

“Creative Products Manufacturing” which means the use of premises for the creation, development, prototyping and marketing of products that are the result of a customized design process, including but not limited to: clothing design, furniture design, industrial product design, technological equipment design, ***Digital Entertainment and Information Communication Technology*** and similar uses”.

We are in the enviable position of attracting some of the best and brightest minds to our City and Council's support of our proposed revisions will only help encourage and support further job growth in this incredibly vibrant part of our economy.

Thank you

Yours truly,

OMICRON ARCHITECTURE ENGINEERING CONSTRUCTION LTD.

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Bill Tucker, P.Eng., MBA
CEO
Omicron

January 25, 2017

Mayor Gregor Robertson and Members of Vancouver City Council
City of Vancouver
City Hall – 453 W. 12th Avenue
Vancouver, British Columbia
V5Y 1V4

Dear Mayor Robertson and Members of Council:

Re: Proposed Railtown Zoning Amendment

You have received a report dated November 29, 2016, proposing a new zoning for the area known as Railtown. I am an owner of property and a manufacturer in this area. The purpose of this letter is to offer the following recommendation:



THAT Council NOT pursue the particular zoning amendment that is proposed in this report but, rather, that Council send this matter back for closer consultation with property owners and interested parties and to make the future zoning of Railtown an integral part of the upcoming planning process for the “Core Plan 2050”.

I understand the intent of this zoning amendment but I can illustrate from my personal situation that the amendment will lead to the exact opposite results than the City intends as stated in the report – instead of assisting me in protecting and prolonging my manufacturing operation on my land in Railtown, it will force me into leaving the site earlier than I had hoped and expected. Let me explain why this is true.



Economic conditions have changed – land values have already skyrocketed. As is clearly indicated, the report carries forward with a policy agenda that is more than 20 years old, without seeming to take into consideration significant changes in circumstances that we have faced over the last several years, the most important of which is a dramatic increase in property values and taxes that manufacturing and the package of uses proposed in the new zoning cannot support. Such a defensive zoning strategy may have worked a decade ago, when land values were low and attention for change was focused elsewhere, but it will not work now. Land values will not collapse back to industrial/manufacturing levels because current values are founded on a real scarcity of land in the larger inner-city. Even if values roll back incrementally, which I doubt will happen, this will not be enough to be consistent with industrial/manufacturing capacity by itself.

Manufacturers must now have a rich mix of use to underwrite manufacturing – no mix, no manufacturing. Moving forward, manufacturers like me have to think about a mix of uses, including a significant component of higher-order uses, in order to carry the land costs of my manufacturing operation. My intention for my property in Raitown, over the last few years, has come to be to do a redevelopment for my factory that would include the other uses that I could rent at inner-city values. I was clear that this could not include residential but I was depending on being able to include general offices, without limitations that I see in the current zoning proposal, hopefully along with some valuable compatible ancillary uses. The creative products manufacturing use does not assist me as I already enjoy that right for my factory. The special consideration for pre-1951 buildings does not assist me because I need to build new construction to attract the right tenants. The proposed specified mixes do not assist me because there is not enough of the higher order use to subsidize the factory use – it is the wrong mix. The result is that I have no choice but to move my factory off these properties as soon as possible, which likely means moving the factory away from Vancouver. I will then sell my land and let another owner see what they can achieve with the

limitations of this zoning. I do not think the result will be manufacturing, either general or for creative products, because others face the same economics that I do.

The answer is to anchor City-preferred uses by tying them tightly to market-preferred uses. I have no difficulty with insuring a required minimum proportion of the manufacturing and other industrial and warehousing uses that the City wishes to sustain – for me, that would be my factory – and I do not have difficulty with the aspiration for creative products manufacturing as an additional opportunity. But I know the clamp down on higher order uses will not, at this point, save what is there or foster more of that activity. I would urge you to go the opposite direction, which is to allow more higher order use, and more diversity of choices for these, but absolutely tie that to provision of your preferred uses.

We need to collaborate rather than move forward separately. In order to find a formula that will work for most situations similar to mine, your staff would benefit by working closely with people like me over the next while with freedom to shift requirements to reflect a land market that is proving to be unpredictable. We need a new kind of working relationship than in the past and a closer working relationship. There is some indication that the Assessment Authority will review our recent staggering increased assessments, and it would seem sensible to hold off on any zoning until that process concludes.



I support the City to plan holistically not spot zone. To get a broader perspective, I think it would be sensible to fold the future of Railtown into the wide-ranging discussion that we are all expecting to be convened in the Core Plan 2050 process, which I highly support. Surely an area so close to the epicenter of the city has a more diverse role to play in the future, reinforcing its industrial base. Surely there is nothing urgent that needs to rush this current rezoning proposal ahead of the wider planning if the results might be detrimental. Please help me to help you achieve the stability of manufacturing in Railtown that your policy indicates is good for Vancouver. With this rezoning you are simply not doing that.

Respectfully,

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Niels Bendtsen
President

Bensen Manufacturing Inc.
Inform Interiors Inc.
Inform Projects Partnership
Danet Interiors Inc.
Bensen Design Inc.
Bulthaupt Vancouver Inc.

Cc Gil Kelley, Chief Planner

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