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(FOR COUNCIL - June 11, 2013)



POLICY REPORT
DEVELOPMENT AND BUILDING

Report Date: May 29, 2013
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VanRIMS No.: 08-2000-20
Meeting Date: June 11, 2013

TO: Vancouver City Council

FROM: General Manager of Planning and Development Services

SUBJECT: Proposed Amendments to the Zoning and Development By-Law to Accommodate Lounges as an Accessory Use to Breweries and Distilleries

RECOMMENDATION

THAT the General Manager of Planning and Development Services be instructed to make application to amend the Zoning and Development By-Law to allow lounge use accessory to a Brewing or Distilling use, to a maximum size of 80 m² and wholly contained within the principal building, in the M-1, M-2, I-1, I-2, I-3, IC-1 and IC-2 and IC-3 Industrial Districts, generally in accordance with Appendix A;

FURTHER THAT the application be referred to a Public Hearing;

AND FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law for consideration at the public hearing.

REPORT SUMMARY

This report proposes amendments to the Zoning and Development By-Law to permit a lounge use accessory to a brewing or distilling use to a maximum size of 80 m² and to be wholly contained within the principal building. Following Council's direction, these changes are being proposed in response to Provincial legislative amendments, effective March 1, 2013, permitting breweries and distilleries to apply for a lounge and/or special event area where patrons can purchase and consume liquor produced on-site. These changes bring breweries and distilleries in line with wineries in other municipalities which have had similar opportunities for several years now.

The recommendations in this report support local breweries, wineries and distilleries by enabling a more lucrative means of showcasing their product. Furthermore, the proposed

accessory designation and size limitation for brewery/distillery lounges will protect the integrity and viability of the City's industrial land base by ensuring the principal manufacturing use remains the primary focus of the site.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On April 23, 2013, Council passed a Motion on Notice requesting staff to report back on required changes to relevant City regulations that would permit micro-breweries, wineries and distilleries on industrial land to sample and sell craft beer and spirits produced on-site, thus being consistent with provincial liquor policy.

Furthermore, the importance of industrial lands is reflected in several City policies:

Industrial Lands Policies (1995): Council adopted the Industrial Lands Policies to retain an appropriate land base for the City's industry and service businesses and to meet the needs of port and river-related industry and city-serving and city-oriented industries.

City Plan (1995): Provides for the development and reinforcement of neighbourhood centres, a diverse economy and jobs close to home. Ensure that areas for industry are retained so that industries and businesses that serve the city, such as printing, repair services, and warehouses, can be close to customers and workers.

I-3 District Schedule (1999): Council approved new zoning to permit high technology uses in industrial areas in close proximity to rapid transit.

Non-Industrial Conditional Uses in the I-2 and M-2 Industrial Zones - Proposed Policy and Zoning By-Law Amendments (2006): Council approved the removal of certain non-industrial conditional approval uses (eg. Halls, clubs, neighbourhood pubs) from the list of permitted uses in the I-2 and M-2 zones.

Metro Core Jobs and Economy Land Use Plan: Issues and Directions Report (2007): Council approved the direction to focus job growth on rapid transit, and to create a diversity of job space types across the city.

EcoDensity (2008): Approved by Council to protect and ensure sufficient space for diverse jobs, shopping and economic activity close to home for a balanced, resilient city with minimal commuting as the city grows, including protection of key commercial and industrial districts for economic activity rather than housing.

Guiding Principles Economic Development in the City of Vancouver (City of Vancouver Economic Development Commission, 2006): Preserve an adequate supply of industrial and commercial zoning to maintain and attract highly skilled, creative and well-paid jobs close to where people live, and to provide city-serving uses.

City of Vancouver Economic Action Strategy: An Economic Development Plan for the City (2011): Create a climate for growth, supporting business investment and trade as well as attracting and retaining talent.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager concurs with this report.

REPORT

Background/Context

Currently, there are nine existing and four proposed liquor manufacturers in the City. Most of these businesses operate tasting rooms as part of their retail floor areas. Although both breweries and distilleries may provide unlimited free samples of their products, breweries may charge for samples to a maximum of 375 ml (12.7 oz) per patron per day, while distilleries may charge to a maximum of 45 ml of spirits per patron per day.

On March 1, 2013, the Province enacted legislative changes allowing a brewery or distillery to apply for a lounge and/or special event area endorsement where liquor produced on-site can be purchased and consumed with fewer restrictions. While lounges are permanently designated liquor consumption areas, special event areas are operational only during special events such as music performances, special meals/dinners or wedding receptions.

The Provincial changes provide craft brewing and distilling industries with another means to showcase their products and align regulations with wineries (e.g. in Okanagan) which have had such spaces for several years. Provincial requirements for brewery/distillery lounges are as follows:

- All liquor offered for consumption must be produced on-site;
- Permitted liquor consumption hours - 9:00 am to 4 am the next day;
- Beer servings restricted to 24 oz per serving; distilled liquor in drinks restricted to 3 oz per serving;
- Provision of a reasonable variety of hot and cold snacks and non-alcoholic beverages;
- Entertainment may include live or recorded music, radio, television, dancing, movies and live prize-fighting, kick-boxing and similar contact sports events.

The Province requires local government input for lounge and special event area applications with respect to location, separation from other social or recreational facilities, occupant load, hours of liquor service and neighbourhood impacts.

The City's zoning regulations allow breweries and distilleries in industrial zones, but most industrial zones do not allow liquor primary establishments. As industrial uses typically require separation from non-industrial activities to remain economically viable, the introduction of a lounge and/or special event area in conjunction with a brewery or distillery manufacturing use raises adjacency concerns. Industrial activity often results in noise, dust, and odour which can impact other neighbouring land uses. Allowing non-industrial land uses into industrial areas can introduce impacts through more car traffic and on-street parking even when the non-industrial use is supportive of the main industrial use. Preserving the integrity of industrial land has been reflected in City policies and through zoning by the removal of several incompatible non-industrial uses from the two most widespread industrial

zones, M-2 and I-2. Additionally, the importance of industrial lands has been emphasized through the Regional Growth Strategy.

In the case of brewery/distillery lounges, City policy attempts to balance the business interests of the liquor manufacturers with the protection of industrial land, while respecting the role of the Provincial Liquor Control and Licensing Branch, which has the authority for regulating alcohol.

Strategic Analysis

There are a number of specific issues which were examined in the review of brewery and distillery lounge endorsements. The following are consistent terms referenced in this report:

- Lounge - an indoor and/or patio area on the licensed manufacturing site where patrons may purchase and consume the manufacturer's liquor. (from Liquor Control and Licensing Branch - Policy Directive No: 13-02)
- Special Event Area (SEA) - an indoor and/or outdoor area on the site where patrons may purchase and consume liquor during special events such as music events, special meals/dinners or wedding receptions. SEA's are intended to be event driven only - not an extension or alternative to a lounge. (from Liquor Control and Licensing Branch - Policy Directive No: 13-02)
- Conditional Approval Use - a use which is subject to conditions specified in the Zoning and Development By-Law, and consideration of Council approved policies and guidelines
- Outright Approval Use - a use which is not subject to any conditions.
- Accessory Use - a use that is customarily ancillary to a permitted principal use for which application is being made or which already exists on the site.

1. Industrial Zoning

a. Preservation of Industrial Lands

The City is committed to protecting and enhancing the local tourism sector and wishes to foster a robust local food and beverage scene, which includes distilling spirits, making wine and brewing craft beer. It is recognized that the Province's recent lounge and special event area changes are a step towards supporting this goal. Brewery/distillery lounges will attract more customers by providing greater opportunities to sample and sell craft beer and spirits produced on-site. In turn, this will enhance marketing opportunities through greater exposure to the product line.

However, the importance of industrial land must continue to remain in the forefront of Vancouver's concerns. An industrial land base is a critical and necessary component of a resilient and adaptive economy and contributes to the overall health and sustainability of the City. Many industrial uses support other sectors within the City,

such as retail and hospitality, and provide services such as repair and construction. Any adjustments to the regulatory environment must be based on enhancing industrial viability and strengthening the industrial use of those lands.

b. Potential Competition with Brewery/Distillery Lounges

Brewing and distilling is an approved use in the M-2 industrial zone and a conditional use in the M-1, IC-1 and IC-2, IC-3, I-1, I-2 and I-3 industrial zones. Although several incompatible non-industrial land uses have been removed from the City's two most widespread industrial zones, M-2 and I-2, neighbourhood pubs are permitted in the M-1 and I-1 industrial zones on a conditional basis. Because of the specific requirements within these zones, however, neighbourhood pubs together with brewery/distillery lounges would not be a concern for the following reasons:

- There is only a small amount of M-1 zoned land remaining in the City and past industrial lands policies have targeted these sites for phase-out through non-industrial rezonings.
- The only I-1 zoned area of the City, roughly situated between Yukon and Main Streets and West Broadway and 2nd Ave is a predominantly light industrial mixed-use service area. In 2012, Council supported allowing a limited number of restaurants, as well as neighbourhood pubs (max size 500 m²), in combination with a 25% manufacturing (brewing or distilling) component. However, the neighbourhood pubs were restricted to only one or two within the entire I-1 zoned area through a separation requirement of 300 m between individual establishments.

2. Proposed Zoning and Development By-Law Amendments

The zoning amendments proposed in this report have been prepared to permit breweries and distilleries to take advantage of the Province's recent lounge and/or special event area changes, yet simultaneously ensure that any negative impacts associated with the introduction of these service uses into industrial areas are minimized.

As a result, the zoning amendments have been structured to accommodate smaller lounges as an accessory use to a brewing or distilling manufacturing use.

The following Zoning and Development By-Law amendments are recommended:

- i) Permit the lounge as an accessory use to the manufacturing use of "Brewing or Distilling" only.

Brewing or Distilling is currently permitted as an outright approval use in the M-2 zone and as a conditional use in the M-1, I-1, I-2, I-3, IC-1 and IC-2 and IC-3 industrial zones. These industrial zones restrict the total floor area of all accessory uses to no greater than 33 1/3 percent of the gross floor area of the

principal and accessory uses combined. Uses typically accessory to a principal manufacturing use include retailing, wholesaling, office and laboratory.

Rationale: Designating lounges as an accessory use to breweries and distilleries ensures that the lounge remains a subsidiary operation to the principal manufacturing use on-site. This subordinate relationship serves to protect the integrity of the industrial land base.

- ii) Restrict the lounge to a maximum size of 80 m² (860 ft²) and require that it be contained entirely within the principal building.

Consultation with the local brewery and distillery industry emphasized a strong focus and commitment to the principal manufacturing use. Owners and/or operators generally concurred that the recent Provincial lounge approval was simply an opportunity to attract more customers and better market their product. Proposed expansion of existing tasting rooms was not anticipated.

A review of sample tasting rooms for all existing and proposed breweries, wineries and distilleries on industrial zoned lands reveals a range in size of approximately 40 m² to 75 m².

Rationale: Restricting the size of lounges to 80 m² and requiring them to be contained entirely within the principal building ensures that any potential negative impacts on other industrial uses and neighbouring commercial and residential uses are minimized. A lounge of 80 m² would also ensure that all existing and approved brewery/distillery tasting rooms situated on industrial zoned lands would be in conformance and sets an appropriate scale for all future lounges on industrially zoned lands.

3. Lounge Hours of Operation and Entertainment

Consultation with the brewery/distillery industry revealed a general consensus for allowing lounges to be open from 9 am until 11 pm. Industry representatives indicated that the main operating hours would generally be later in the day, but that an early opening would provide the flexibility to match retail operating hours. The 11 pm closure would minimize potential impacts on surrounding non-industrial land uses. These hours of operation are reasonable in light of the industrial location.

As part of the Province's lounge approval, a range of entertainment options are allowed. Due to the lounge's permitted small size of 80 m² and the industrial location, the City would restrict entertainment to forms which have minimal impact on surrounding uses (eg. solo musical performer; television screen).

The lounge operating hours and entertainment restrictions would be included as conditions on the manufacturer's business license.

4. Parking Requirements

Lounges and other liquor establishments have higher parking demands than industrial uses such as breweries and distilleries. Under the Parking By-Law, a self-standing 80 m² liquor licensed establishment would require between four and nine parking spaces, depending on the specific type of use. For an industrial use, the same floor area would only require a single parking space. As an accessory use to a brewery or distillery, a lounge's parking requirement would be calculated using the rate for the industrial use, which would result in a lower parking requirement than if the lounge were the principal use.

While this could lead to some parking spill-over in adjacent neighbourhoods, it is not expected that this will be a significant issue for several reasons:

- 1) Generally, the primary hours (evening) for the lounge are not expected to be the same as the peak hours for the industrial use. This would allow shared use of the on-site parking resource between the two uses.
- 2) Most of the breweries and distilleries would be in industrial areas where the parking spill-over would have little impact, particularly outside of weekday business hours.
- 3) Where breweries and distilleries are at the edge of industrial zones, there are typically other pressures on the local streets which are already being managed through time limits and resident parking permit programs.

Parking in industrial areas with accessory lounges will be monitored and any issues requiring additional management or bylaw changes will be reported back.

5. Building Code Requirements

A brewery/distillery lounge at a maximum size of 80 m² will be allowed provided all Building By-Law fire and life safety requirements have been met. This is critical to ensure that lounge patrons are adequately protected from any potential risks related to the adjoining manufacturing use.

6. Special Event Area Endorsement

Currently, liquor manufacturers wishing to sell and serve their own product at occasional private or public tastings or other special events are required to apply for a Special Occasion License (SOL) issued through the Liquor Distribution Branch at BC liquor stores. The Province regulates these special occasion licenses to control the use of liquor and prevent over consumption, to ensure the safety of the liquor supply and to protect the public interest. Any one person or organization is granted a maximum of 2 SOLs per month or 24 per year.

As of March 1, 2013, a brewery or distillery owner/operator can apply to the Province for a special event area endorsement which may be located in whole or in part in a tasting room area, on-site store or a lounge or other endorsement area. The special event area allows patrons to purchase and consume liquor during special events such as music performances, special meals/dinners or wedding receptions. Unlike the SOLs, the new special event area endorsement has no frequency restriction.

In a similar vein, in February 2013, Council approved a two-year pilot program for intermittent, small-scale arts and culture events in non-assembly spaces. This program applies to indoor events having an artistic or cultural nature, such as visual, performing, media, literary, craft or interdisciplinary arts in an existing building not approved for assembly occupancy. The pilot program was supported on the condition that each artistic or cultural event was limited to a maximum of 250 persons and occurred no more than two days per month in a building.

In light of the above recent Council approval, the current SOL frequency restriction and the City's ongoing efforts to retain and protect its industrial land base, including the removal of assembly uses such as halls, pubs and clubs from the M-1 and I-1 industrial districts in 2006, this report proposes that special event area endorsements for a brewery or distillery be restricted to two times per month per building. This restriction would be stipulated as a condition on the manufacturer's business license.

7. Other Municipalities

Other municipalities were contacted to determine how brewery/distillery lounge applications are handled. Generally, most local government representatives indicated that existing liquor manufacturing tasting rooms had previously been approved as part of the establishment's retail component, and future lounge applications would be considered on a case-by-case basis. Some municipalities indicated they would wait to see the details of any proposed lounge applications before planning a particular municipal process/approach.

Two municipalities that differed from this general approach were Surrey and the District of North Vancouver. The former advised that brewery/distillery applications would require a rezoning to CD-1 based on light industrial zone, with pub as a permitted use. This process would require a public hearing, thereby allowing for public input. The latter indicated that it was not going to allow lounge uses on their industrial lands to protect their industrial needs.

8. Consultation

Meetings were held with the local brewery/distillery industry on two separate occasions to discuss all the issues outlined in this report. The industry representatives were generally supportive of the proposed changes and any feedback received was incorporated.

A meeting was also held with BIA representatives who were supportive of the proposed zoning changes and agreed that the integrity of industrial lands needs to be preserved.

Both the brewery/distillery industry and the BIA representatives concurred that the proposed amendments strike a fair balance between the business interests of the liquor manufacturers and the City's over-riding goal of protecting its industrial land base.

Financial

There are no financial implications associated with the proposed zoning amendments.

CONCLUSION

The zoning amendments proposed in this report serve to permit lounge use accessory to a brewing or distilling use to a maximum size of 80 m² and to be wholly contained within the principal building. These amendments are in response to the Province's recent changes, effective March 1, 2013, permitting breweries and distilleries to apply for a lounge and/or special event area endorsement where patrons may purchase and consume liquor manufactured on-site.

The proposed amendments support local micro-breweries and distilleries by providing a more lucrative means of showcasing their product. Including lounges as accessory uses and limiting their size ensures that existing industrial land uses on-site and neighbouring properties are not negatively impacted.

Finally, the report also proposes that special event area endorsements for a brewery or distillery be restricted to two times per month which aligns with the recent approval for a 2-year pilot program for arts and cultural events in non-assembly premises and the frequency restriction for special occasion licenses issued through BC Liquor stores.

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Brewery/Distillery Lounges in Industrial Areas

Proposed Zoning and Development By-Law Amendments

Note: An amending by-law will be prepared generally in accordance with the provisions listed below, subject to change and refinement prior to posting.

Brewery or Distillery Lounge

In the M-1 District Schedule:

- In section 3.3 Conditions of Use, insert a new provision at the end of section 3.3.2 as follows:
"Lounges accessory to Brewing or Distilling use shall be carried on wholly within a completely enclosed building."
- In section 4.7 Floor Space Ratio, insert a new provision at the end of section 4.7.1 as follows:
"the floor area for a lounge use accessory to a Brewing or Distilling use must not exceed 80 m²."

In the M-2 District Schedule:

- In section 2.2.A, under the second bullet, after "section, but not including" insert:
"lounges accessory to Brewing or Distilling use"
- In section 2.3 Conditions of Use, insert a new provision at the end of section 2.3.2 as follows:
"Lounges accessory to Brewing or Distilling use shall be carried on wholly within a completely enclosed building."
- In section 4.7 Floor Space Ratio, insert a new provision at the end of section 4.7.1 as follows:
"the floor area for a lounge use accessory to a Brewing or Distilling use must not exceed 80 m²."

In the I-1 District Schedule:

- In section 3.3 Conditions of Use, insert a new provision at the end of section 3.3.6 as follows:
"Lounges accessory to Brewing or Distilling use shall be carried on wholly within a completely enclosed building."

- In section 4.7 Floor Area and Density, insert a new provision at the end of section 4.7.1 (d)(iv) as follows:

“the floor area for a lounge use accessory to a Brewing or Distilling use must not exceed 80 m².”

In the I-2 District Schedule:

- In section 3.3 Conditions of Use, insert a new provision at the end of section 3.3.4 as follows:

“Lounges accessory to Brewing or Distilling use shall be carried on wholly within a completely enclosed building.”

- In section 4.7 Floor Space Ratio, insert a new provision at the end of section 4.7.1 as follows:

“the floor area in a lounge use accessory to a Brewing or Distilling use must not exceed 80 m².”

In the I-3 and IC-3 District Schedules and the IC-1 and IC-2 Districts Schedule:

- In section 3.3 Conditions of Use, insert a new provision at the end of section 3.3.5 as follows:

“Lounges accessory to Brewing or Distilling use shall be carried on wholly within a completely enclosed building.”

- In section 4.7 Floor Space Ratio, insert a new provision at the end of section 4.7.1 as follows:

“the floor area in a lounge use accessory to a Brewing or Distilling use must not exceed 80 m².”