

MEMORANDUM

June 22, 2018

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Katrina Leckovic, City Clerk
Rena Kendall-Craden, Director, Communications
Lynda Graves, Manager, Administration Services, City Manager's Office
Kevin Quinlan, Chief of Staff, Mayor's Office
Naveen Girn, Director, Community Relations, Mayor's Office

FROM: Gil Kelley, General Manager, Planning, Urban Design & Sustainability

SUBJECT: Information requested on June 5, 2018 by Mayor and Council related to proposed development policy changes in Chinatown.

This yellow memo provides the additional information requested by Mayor and Council on June 5, 2018, related to the policy report titled *Amendments to the Chinatown HA-1 and HA-1A Districts Schedule, Design Guidelines and Policies* (RTS11646). The policy report was referred by Council to the June 28, 2018 public hearing.

1. What was the historical context and policy work that preceded the current proposed policy changes? What were the goals, specifically related to the 2011 Rezoning Policies for Chinatown South?

To answer this question, below is a brief timeline of Chinatown's revitalization.

1980 to Early 2000: Lack of private investment, slow population growth and economic decline of Chinatown

From 1980 to early 2000, Chinatown saw very limited private investment. Aside from two large commercial buildings (the Sun Wah Centre and the former Hong Kong Shanghai Bank of Commerce building), all major projects were developed or funded by government and non-profit organizations. These included three social housing projects, the Chinese Cultural Centre and Dr. Sun Yat-Sen Garden, the Chinatown Plaza, and the SUCCESS seniors care home. More notably, there was no market housing development in Chinatown, until a seven-storey development (called The East) was completed in 2008.

2001 to 2010: The Chinatown Vision and call for revitalization

The Chinatown Vision was established in 2001 to serve as a blueprint for Chinatown's revitalization. The Vancouver Chinatown Revitalization Committee (VCRC) was established at that time to include broad representations from the community to partner with the City and implement the Vision.

Since the adoption of the Chinatown Vision, the City has worked with the VCRC and Chinatown community to support revitalization in this important historic and cultural neighbourhood. This includes public realm improvements, and community and economic development projects to support existing businesses and generate investment in the neighbourhood. The City has also supported cultural programs and community activations in Chinatown to fulfill the Vision of revitalization Chinatown based on its unique heritage and culture.

2011 to 2012: Historic Area Height Review, adoption of the Rezoning Policy for Chinatown South and Chinatown Neighbourhood Plan and Economic Revitalization Strategy

Because of the lack of residential population growth in the previous decades and with a negative public image as an unsafe and out-of-date area, Chinatown businesses were suffering. A survey of 77 businesses in Chinatown found that 64 per cent of businesses reported a decrease in revenue between 2008 and 2011. There was also a high number of vacant storefronts that further added to the image of Chinatown being in decline.

This sense of decline, combined with the global economic downturn in 2008 led to calls from the community for the City to accelerate revitalization by encouraging development. Staff received direction from City Council to undertake the Historic Area Height Review to introduce policies to achieve the following goals:

- allow a **moderate increase** in height for new development
- to leverage **public benefits**
- to support market residential development, with the objective of increasing the population to **support local businesses**.

The resulting *Rezoning Policy for Chinatown South (HA-1A)* was adopted in 2011. Recognizing that residential density and intensification alone cannot bring back a vibrant Chinatown, Council directed staff to work with community groups in the area, to comprehensively address community aspirations. In June 2012, Council adopted the *Chinatown Neighbourhood Plan and Economic Revitalization Strategy*. This strategy aims to protect the heritage of the area while bringing new life into the community through increased local customers and more vibrant businesses (refer to details in section 2).

Recognizing the controversial nature of the amended policies, Council directed staff to monitor the effects of the change and report back to Council in 2015 together with an update on the implementation of the *Chinatown Economic Revitalization Strategy*.

2012: Early Concerns Expressed on Chinatown Character by Late Chinatown Architect Joe Wai

As early as June 2012, a group of 20 concerned community members in Chinatown, including late architect Joe Wai, raised concerns about the design and character of the two rezoning applications under review at that time. It was felt that these buildings (the rezoning applications) did not reflect Chinatown character, but instead “overwhelmed it”.

A document summarizing the key attributes of Chinatown’s character and advice to developers and architects was presented to the City’s Planning Department and the Chinatown Historic Area Planning Committee.

They submitted that key qualities of Chinatown character include:

- Fine urban grain defined by narrow lots.
- Street-level businesses in small, narrow storefronts adding rhythm to the street.
- A broad mixture of housing, business, social and cultural activities above the ground floor businesses.
- In addition to the historic buildings, it is believed Chinatown’s character also comes from the intangibles that fill the streets and alleys - the smells, sounds, hustle and bustle, the open store front etc. It was further observed that new buildings should be respectful of these intangibles as well as the physical historic context.

2012 to 2015: A changing Chinatown and the first two rezoning project applications

Around this time, Vancouver began to experience a dramatic increase in land values across the City. Chinatown became more attractive to businesses, residents and investors, given its relatively low lease rates, low land values and unique historic character. Regionally, demand for housing across metro Vancouver was also increasing rapidly. New businesses started opening up and two mixed-use market residential projects were approved (231 E Pender Street and 189 Keefer Street) under HA-1A zoning (below 90 feet in height).

Following these projects, the first two rezoning applications (188 Keefer Street and 189 Georgia Street) were submitted under the *Rezoning Policy for Chinatown South* and were approved in 2013. These sites are both located within the Main Street corridor of the policy, where height up to 150 feet can be considered to achieve public benefits.

Public Benefits Expected vs. Achieved

Part of the objective of allowing new development was to leverage public benefits. The rezoning policy stated that public benefits were to be negotiated, with priorities given to innovative cultural, heritage and affordable housing projects.

In 2011, the Vancouver Chinatown Revitalisation Committee (VCRC) struck a sub-committee to provide staff recommendations on allocations of public benefits. The VCRC recommended any leveraged public benefits are to be used towards Society buildings rehabilitation, to maintain cultural uses and to adapt these buildings for affordable seniors housing that can further support Chinatown's culture.

- 188 Keefer Street, a 16-storey building, included 22 seniors housing units. The rezoning application generated \$1.3 million of Community Amenity Contributions (CAC), which was not enough to entirely fund the construction of the seniors housing units. An additional equity investment of \$2.4 million from a non-profit housing partner and a grant of \$200,000 from the City of Vancouver were required to complete the project.
- 189 Georgia Street, a 17-storey building, generated \$1.2 million of Community Amenity Contributions in cash, which Council later approved to be put towards the *Society Heritage Matching Grants Program* in 2014.

In general, the CAC leveraged fell short of what would be needed to rehabilitate Society buildings (cost estimate was \$36 million), and the delivery of the seniors housing units required additional equity investment and grant funding from a non-profit and government. During public consultation on this topic in 2016 and 2017, members of the public expressed the view that the achieved public benefits were not worth the negative impact of large buildings on Chinatown's character.

2015: A turning point

When construction was completed for the two rezoning projects on Main Street, people were able to better understand the comparatively large scale built form. This raised concerns about the impact of larger developments on Chinatown's character.

Around this time, the construction of another mixed-use condo project at 189 Keefer Street was also completed. When a national chain coffee shop moved into the ground floor storefront, it became a signal to many that Chinatown had entered a period of rapid and irreversible change. Since then, two more rezoning applications (105 Keefer Street and 728-796 Main Street) have been submitted. The application to rezone 105 Keefer generated a high amount of community opposition and was not supported by Council on June 13, 2017.

During this time, land values in Chinatown rose very quickly (refer to Question 4), exceeding the average increase in land value seen elsewhere in Vancouver. Staff observed speculative behaviour in Chinatown, where sites were sold and resold within a short period of time for large amount of profit and sites were advertised for unrealistic amounts of density. Chinatown also experienced a rapid change in its businesses and retail environment.

Seeing these changes, many people in the community raised concerns about the loss of Chinatown’s character. In 2015, in response these concerns and as part of the commitment to monitor implementation of development policies in Chinatown, staff began a review of development policies. The goal was to manage the pace of development and to encourage new development which is in keeping with the character of the neighbourhood.

2. What were the actions to be implemented from the *Chinatown Neighbourhood Plan and Economic Revitalization Strategy (2012)*? What has been the progress?

The objectives of the Economic Revitalization Strategy were to:

- support businesses in Chinatown, which includes bringing in new residents, a strategy to retain existing businesses and recruitment of new businesses;
- support heritage, cultural and affordable housing projects; and
- improve public spaces.

Many actions were completed or are underway, as a result of partnerships between the City of Vancouver and community partners. A status update of the actions is included in Table 1.

There are actions that have yet to be implemented, including:

- Tenant recruitment strategy
- Tenant retention strategy
- Tourism development and Marketing
- Laneway revitalization
- Youth development

These outstanding actions are important to directly support small businesses in Chinatown. Staff are working with the lead community partners to implement them.

Table 1 Economic Revitalization Strategy Actions

Proposed Actions	Lead Organizations	Status of Implementation
Strategy 1: Thriving Business District		
<p>Tenant recruitment strategy</p> <p>Develop a retail-mix inventory and profile on the current and changing customer base, and develop a strategy to meet the needs of current and future markets. Strategy will inform:</p> <ul style="list-style-type: none"> • BIA business development workshops/outreach • Zoning and development recommendations • BIA and VEC outreach to realtors and investors • Marketing and tourism campaigns 	<p>VCBIA VCMA VEC</p>	<p>Storefront vacancy reduced from approximately 25% to 10%, more vibrancy at night (update provided by VCBIA)</p>

<p>Tenant Retention Strategy</p> <p>Business training and education workshops and outreach to support existing businesses</p>	<p>VCBIA</p>	<p>Lack of succession planning makes retention challenging (update provided by VCBIA)</p>
<p>Tourism and Marketing Strategy</p> <p>Coordinate marketing between existing organizations and undertake capacity building to modernize marketing and branding strategies, including:</p> <ul style="list-style-type: none"> • One-stop Chinatown website • Earned media and social media campaigns 	<p>VCMA VCBIA Tourism Vancouver Dr. Sun Yat-Sen Gardens</p>	<p>Chinatown street banners (VCBIA)</p> <p>Distributing Chinatown maps to Tourism Vancouver (BIA)</p>
<p>Vacant Storefront Strategy</p> <p>Implement a sustainable window improvement program for vacant storefronts in Chinatown</p>	<p>VCBIA</p>	<p>Chinatown Windows Stories – Completed (CoV, VCBIA)</p>
<p>Strategy 2: Historic Neighbourhood Revitalization</p>		
<p>Restoration of Society Heritage buildings</p> <p>Explore innovative financing tools to leverage additional investments in restoration of these important cultural assets</p>	<p>CSHBA</p>	<p>Society Buildings Matching Grant Programs – Completed (CoV, CSHBA, Societies)</p> <p>Society Legacy Program – Launched (CoV, CSHBA, Societies)</p> <p>Business Cases for Phase 1 implementation – Completed (CSHBA, CoV)</p> <p>Fundraising strategy – completed (CSHBA, CoV)</p>
<p>Optimize National Historic Site Designation</p> <p>Support local arts, cultural organizations and heritage groups to maximize opportunities for new community investment and the development of new program services and attractions. Link to marketing and tourism opportunities in Strategy 1.</p>	<p>Tourism Vancouver CSHBA CCC</p>	<p>Living museum feasibility study phase 1 – completed</p>

<p>Leadership Development</p> <p>Identify opportunities to support youth leadership and capacity development in local organizations</p>	<p>Parks Board – neighbourhood houses SUCCESS Benevolent Societies</p>	<p>Capacity Building workshops – completed (CSHBA, CoV, Societies)</p>
<p>Seniors Housing</p> <p>Identify opportunities to increase seniors housing development</p>	<p>Chinatown Society Heritage Buildings Association Vancouver Chinatown Foundation</p>	<p>Seniors Housing Feasibility Study (CoV, Province) 58 W Hastings (VCF, CoV, BC Housing)</p>
<p>Strategy 3: Vibrant Public Spaces</p>		
<p>Laneway Revitalization Strategy</p> <p>Develop with the community a strategy for immediate and long-term revitalization of Chinatown’s laneways. Identify specific projects and opportunities for:</p> <ul style="list-style-type: none"> • Temporary street events or installations • Dumpster-free pilot project • Policy and regulation changes to facilitate retail and commercial uses on laneways 	<p>VCRC Architecture for Humanity Vancouver</p>	<p>Zoning and Parking bylaw changes to facilitate retail and commercial uses on laneways (CoV)</p>
<p>Clean-up public spaces with local businesses</p> <p>Build on existing City and community initiatives to improve neighbourhood cleanliness (e.g. awning improvements, micro-cleaning, Keep Vancouver Spectacular(KVS) with additional neighbourhood clean-up events and implement a sustainable program for window displays in vacant storefronts.</p>	<p>VCBIA</p>	<p>Awning cleaning program (CoV, VCMA) Keep Vancouver Spectacular (VCMA, VCBIA) Liaison with VPD to keep streets safe (VCBIA)</p>

3. What were the pre-existing conditions in Chinatown? Why is the City reviewing development policies for Chinatown?

During the *Historic Area Height Review (HAHR)*, staff recognized that the conditions in Chinatown meant that the area could be vulnerable to rapid change and the impacts that large-scale development could bring. At the time, there was much debate about the risks, benefits, and appropriateness of using market residential developments to leverage public benefits and the impacts these developments could have on the community.

Pre-existing conditions in Chinatown before policy adoption in 2011 included:

- Aging businesses and lack of succession planning
- Declining revenue due to the economic downturn and lack of new customers
- Vulnerable low-income population, many of whom were mono-lingual seniors

- Low existing development density (average 2 to 3 stories buildings); no explicit development density limit in policies
- Relatively low land value

Because of the vulnerability in the neighbourhood, both the HADR report and the *Chinatown Economic Revitalization Strategy* committed to careful monitoring of implementation and updating Council on outcomes and impacts at the end of the 3-year period.

The staff report to Council and recommended development policy changes is part of this review effort and commitment to report back to Council.

Monitoring Development Policies and Reporting Back to Council

At the time of the adoption of the 2011 policies, the Council-endorsed Chinatown Historic Area Planning Committee passed a motion to “support provided the policies are closely monitored by staff and their efficacy reported to Council as part of the Chinatown Community Plan progress report.”

As such, the staff report in 2011 committed to carefully monitoring potential impacts from the proposed height increases on overall land values and costs of heritage rehabilitation and affordable housing delivery and reporting back to Council as part of the Chinatown Community Strategy progress report. The Economic Revitalization Strategy (2012) component of the overall Community Plan has a three-year implementation timeline.

4. What has changed since adoption of policies in 2011?

A number of changes are observed in the neighbourhood. The changes were more pronounced and happened faster than the original expectation of moderate increase in population and density over time. Specifically, the pace of redevelopment has been fast, there are land speculation activities, new businesses have moved in but traditional businesses are closing or moving out and land values are increasing faster than city’s average.

Further, based on ongoing consultation and monitoring of implementation, staff have heard comments that there has not been equal progress in the implementation of cultural development and heritage buildings rehabilitation. Overall, there is a sense that without intervention, the tangible and intangible character of Chinatown could be lost forever.

Changes observed in Chinatown since 2011

- **Population change:** Increased from 1,420 in 2006 to 1,820 in 2016. This represents a 28% increase, which outpaced the Downtown Eastside and city-wide average of approximately 10%. In addition, the percentage of people speaking Chinese at home decreased from 32% to 21% of the population. The city-wide change in the same period was a decrease of 4%.
- **Pace:** There were 480 strata units in 2011. 550 new units were added since that time. This represents a 110% increase.

- **Assessed land value doubled** between 2012 to 2016 (from \$1.9M to \$3.8M). This equals to an increase of 2.1% per month in this period. Assessed land values in Chinatown have been increasing at a rate that is 5% higher than Vancouver's average.
- **Land speculation:** Out of the number of sites that changed hands between 2012 to 2016, 4 sites were sold twice in that same period of time. These sales had a high impact on assessed land value in the area. Speculative behaviours are observed in Chinatown, due in part to the lack of a clear cap on the number of storeys and development densities permitted. This has resulted in unrealistic expectations of development densities that can be achieved.
- **Business turnover:** Business license data from 2017 showed that the total number of businesses remained steady at about 450 between 2012 and 2017. Based on preliminary analysis, comparing the two sets of business licenses data, it is estimated that about 35% of businesses changed.
- **New commercial tenants:** International retail chains (Starbucks, Tim Hortons) and local chains (Matchstick coffee) moved into new or renovated commercial spaces.
- **Losing traditional businesses:** A recent study completed by a non-profit organization in Chinatown showed that many traditional businesses are moving out or closing. Between 2009 and 2016, 50% (29) of Chinatown's fresh food stores were lost. In the same time period, 33 new food retailers were gained, but these tend to cater to higher income brackets and many do not offer culturally appropriate food. The loss of traditional businesses due to competition is further compounded by aging owners, redevelopment of affordable commercial spaces, lack of succession planning and a changing client base.

5. What economic studies have been done?

Many economic studies have been completed and they informed the Planning team's work and the recommended development policy changes. (Refer to list of studies below.) Key lessons learned from these studies and data analyses include:

- Multiple studies and data analyses have shown that Chinatown is changing rapidly. (See answer to Question 4 for details).
- New mixed-use development often changes the retail landscape by favouring retail chains and franchises, creating further pressure on existing local businesses. The changes in retail observed in Chinatown are consistent with this conclusion.
- Legacy businesses are part of the intangible heritage but they are under threat from redevelopment and or aging out of owners. It is believed that intangible heritage should be protected and invested in for Chinatown to remain authentic.

Vancouver and the areas adjacent to Chinatown are growing. Specifically, with the redevelopment of Northeast False Creek (including the viaducts blocks on Main Street), and the future new St. Paul's Hospital in False Creek Flats, demand for commercial and residential spaces in Chinatown is expected to continue to increase.

Some recent examples that support this positive economic outlook include a development application of an 8-storey mixed use development at 239 Keefer Street (the Sparrow), another development application of a 9-storey mixed use development at 129 Keefer, and the tenanting of a large, long-vacant commercial building at 268 Keefer Street (Sun Wah Centre) by the non-profit BC Artscape.

New developments have brought in and will continue to bring in new residents and new business opportunities. However, the rapid pace of new developments have also put added pressure on existing businesses that need help to adapt to a changing clientele or embark on succession planning. Further, new developments, land speculation and land sales within a short period of time have contributed to rapidly rising land values.

The recommended policies in the staff report intend to encourage appropriate development that fits into the character of Chinatown, and continue to stimulate revitalization by investing in local economic, culture and community development.

Studies Commissioned or Sponsored by City of Vancouver

- Vancouver Chinatown Economic Revitalization Action Strategy (AECOM, 2011)
- DTES Retail Continuity Analysis (Internship research project, 2013)
- DTES Business Characteristics Joint BIA Survey (Internship research project, 2015)
- Pender and Hastings Streets vacant storefronts survey (in house, 2015, 2016)
- Potential Impact on Land Values and CAC Revenues from Proposed Changes to the HA-1 and HA-1A Policies (Coriolis, 2015)
- Chinatown Seniors Housing Feasibility Study (Partnership study with the Province of BC, 2015)
- Vancouver Chinatown Intangible Heritage Values Report (Heritage BC, 2015)
- Approaches to Protecting Heritage Businesses Study (LOCO Business Network Society of BC, 2017)

Independent Studies

- Vancouver Chinatown Food Security Report (Hua Foundation, 2017)
- We Are Too Poor to Afford Anything (Carnegie Community Action Project, 2017)
- Vancouver Chinatown Food Retail Study - interviews (Hua Foundation, 2018)
- Density and Diversity: Considering the Impacts of Mixed-Use Development in the Retail Culture of Vancouver's Main Street (Research Thesis, Regan, 2017)

Data Analysis Studies

- Chinatown Business Licenses Data Analysis (City of Vancouver, 2012-2017)
- Housing Units Tracking (City of Vancouver, 2011-2017)
- Census Analysis (City of Vancouver, 2006 - 2017)
- Property Assessment Data Analysis (BCAA, 2011-2016)
- Commercial Lease Rates Examples (Cushman Wakefield, 2017)

Should you have any questions, please contact Helen Ma, Senior Planner, Chinatown Transformation Team, by phone at 604.873.7919 or by email at helen.ma@vancouver.ca.

Yours truly,

A handwritten signature in black ink, appearing to read "Susan Haid". The signature is fluid and cursive, with the first name "Susan" being larger and more prominent than the last name "Haid".

Susan Haid
Director, Long-range and Strategic Planning signing for

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GK/hm