

7. Accelerating Action on Industrial Affordability

At the Standing Committee on City Finance and Services meeting on June 26 and 27, 2019, due to time constraints, the Committee referred the following motion to the Standing Committee on Policy and Strategic Priorities meeting on July 10, 2019, to hear from speakers with a start time of 3 pm.

Submitted by: Councillor Kirby-Yung

WHEREAS

1. The City of Vancouver's mission is to create a great city that cares about its people, its environment and opportunities for residents to live, work, and prosper;
2. A resilient, diverse economy fosters dynamic businesses and sustainable employment opportunities;
3. Industrial businesses provide 60,000 jobs (58% of those deliver a living wage) and circulate approximately \$7 billion in revenues locally. One job in manufacturing indirectly supports 3.5 jobs in other sectors;
4. Vancouver is experiencing an industrial affordability crisis (in addition to a housing crisis) and has the lowest industrial vacancy rate in all North America;¹
5. Industrial lease rates have tripled in Vancouver's inner-city industrial districts in the last five years;²
6. The industrial land crunch is resulting in displacement of SMEs from the city; up to 50% of Vancouver's industrial businesses think they may need to relocate in the next two years;³
7. Pressure on industrial land is creating a struggle for industrial startups, artists, and musicians and creating barriers to them gaining a foothold in Vancouver; Vancouver's startup ecosystem has dropped six places in ranking in 2019;⁴
8. The industrial land crunch is also limiting Vancouver's ability to scale green businesses and reach sustainability goals – currently 10% of industrial businesses self-identify as green businesses;⁵
9. The industrial affordability crisis in Vancouver is the result of several global and local forces, including lifting land values as well as landowners sitting on industrial land as a form of real estate investment;

¹ Avison Young Global Industrial Market Report, Spring 2019

² Spacelist Listings & analysis of historic real estate listing data; BC assessment also has good data on leaps in land values which we have sited in various reports on this issue

³ Vancouver Economic Commission, Industrial Insights Report, published Spring 2018

⁴ Startup Genome Report (completed annually)

⁵ Vancouver Economic Commission, Industrial Insights Report, published Spring 2018

10. Encroachment of non-industrial uses on industrial lands including doggy daycares, self-storage, and car dealerships which have low employment density is reducing the amount of productive job space available;⁶
11. Industrial land supply has not kept pace with increasing demand from a wide variety of businesses, including film, television, & digital entertainment companies; biotech, cleantech & agri-tech firms; and small manufacturers, materials processors, & distributors;⁷
12. 565 hectares of industrial land have been rezoned to other uses in the last thirty years (primarily to address housing issues), reducing the amount of total employment space available in the city;⁸
13. Older industrial building stock does not meet needs of contemporary industrial businesses; the average floorplate of industrial users have dropped and new demands include increased power and digital connectivity needs;
14. Not addressing challenges faced by industrial operators in Vancouver could mean that up to 50% of industrial businesses may be displaced from the city in the next five years, taking with them 30,000 jobs, \$3.6 billion in annual revenues, and \$1.2 billion in annual wages;
15. The cost of goods and services in the city will rise as services move further from the urban core;
16. Traffic congestion and GHG emissions in the region would worsen given that more than 50% of clients and 35% of suppliers for local industrial businesses in the city are located in Vancouver;
17. The social, economic, environmental and cultural impacts of displacing our industrial business community could limit Vancouver from reaching major goals including:
 - economic resilience given that Vancouver's industrial businesses primarily serve local clientele (50%) and underpin every other major sector in Vancouver as they are the suppliers to all other sectors;
 - climate emergency response – pollution free cars, trucks and buses will require local and distributed smart logistics hubs and zero emissions fleet infrastructure;
 - vibrant cultural life – industrial space is where arts production, music/theatre rehearsal, artisanal making and all manner of cultural activities are fostered;
18. Since many businesses are on 3, 5, or 10-year leases, Vancouver is only beginning to feel the impact of the drastic rise in industrial land values over the past 5 years. These impacts are anticipated to worsen in the next one to five years;

⁶ VEC has mapped this with the help of UrbanLogiq – some key insights are published in our Industrial Insights report

⁷ Growth rates for various manufacturing sectors were cited in our industrial insights report (page 4) from several provincial reports including one on the Apparel industry and another on Food & Beverage. The VEC also tracks data on growth in the digital entertainment, film and tv sectors

⁸ Globe and Mail, May 2018

19. Cities around the world have been recognizing the need to protect urban industrial activity including:
 - San Francisco – PlaceMade is a non-profit industrial developer that secures land through supportive policy, and SF Made directly supports Bay Area manufacturers with programming;⁹
 - New York – GMDC (a non-profit industrial developer) is highly supported by NYC EDC to retrofit older industrial buildings into spaces for modern industrial users, opening hundreds of thousands of square feet of affordable industrial space over the past twenty years for modern industrial businesses;
20. Movements toward the development of a more circular economy, more demand for locally designed and manufactured products, just-in-time delivery and zero emissions transportation, are all anticipated to result in continued strong demand for industrial space;
21. The industrial land crunch has led to the City of Vancouver Employment Lands and Economy Review, as well as the formation of the Metro Vancouver Industrial Lands Strategy Task Force.

THEREFORE BE IT RESOLVED

- A. THAT Council acknowledges the immediacy and real impacts of the industrial land crunch and the displacement of city-serving industrial operators from Vancouver.
- B. THAT Council direct staff to explore the impact of and report back on options for freezing development applications for self-storage, car dealerships and other non-industrial uses currently permitted in industrial districts as soon as possible, giving consideration to whether these uses are displacing higher-productivity and more job-intensive industrial operations.
- C. THAT Council direct staff to undertake feasibility analysis to determine the viability of making available for redevelopment industrial zoned land with the goal of delivering affordable industrial space for start-ups, scale-ups and arts production space. Staff to report back in-camera on options or models for (re)-development to meet these goals;

FURTHER that such report back includes a review of the governance policies of the City's Property Endowment Fund that might need to be considered to enable such opportunities, as well considers potential eligibility criteria and appropriate terms/length of market rate subsidies to ensure equity, and encourage turnover and appropriate allocation of affordable space to support those who need it most.

⁹ These examples have come from direct conversations with these groups. Excellent resources on these examples are published by the Urban Manufacturing Alliance

- D. THAT Council direct staff to explore and report back as soon as feasible on options to deliver an empty industrial spaces program that utilizes carrot and/or stick approaches to ensuring industrial spaces are not sitting unnecessarily empty or underutilized.
- E. THAT staff identify recommendations to revise industrial permitting and licensing processes to reflect modern and evolving industrial operations as part of the planned overall licensing review slated to take place in 2020, and report back to Council.
- F. THAT Council direct staff to consider how regulatory tools could be utilized to enable the creation/preservation of affordable light industrial space for city-serving industrial operators as part of rezoning processes and density bonusing.

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