



REPORT

Report Date: June 21, 2022
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Meeting Date: July 5, 2022
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TO: Vancouver City Council

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: Policy and Directions – Application for Rezoning at 1075 West Georgia Street

RECOMMENDATION

THAT Council confirm their support of the objectives of the *Rezoning Policy for the Central Business District (CBD) and CBD Shoulder* to limit residential uses in the CBD, and direct staff to process the rezoning application by IBI Group on behalf of 1075 West Georgia Ltd., the registered owner of the lands located at 1075 West Georgia Street to rezone the lands from DD (Downtown District) to CD-1 (Comprehensive Development) District, noting the application does not comply with this policy and the review may result in the General Manager of Planning, Urban Design and Sustainability recommending non-support;

FURTHER THAT the passage of the above resolution will not fetter Council's discretion to consider this rezoning application or to refer it to public hearing, and does not create legal rights for any person or any obligation on the part of the City; any expenditures of funds or incurring of costs is at the risk of the person making the expenditure or incurring the costs.

REPORT SUMMARY

The *Rezoning Policy for the Central Business District (CBD) and CBD Shoulder* (the "Policy") , requires staff seek Council's direction, prior to proceeding to a Public Hearing, for applications that do not comply with restrictions on residential uses in the CBD. This report seeks Council's confirmation of their intent to uphold the *Policy* to limit residential uses in favour of securing much needed job space for the region.

The application to rezone 1075 West Georgia Street from DD (Downtown District) to CD-1 (Comprehensive Development) District, is to construct a 47-storey mixed-use building with residential uses within the Central Business District (CBD). The application does not comply with the conditions to permit residential uses in the CBD. This report describes the intent and conditions of the *Policy* to limit residential uses in the CBD, and the implications of opening up the CBD to more residential uses in an area designated for job space. It also describes how the conditions supporting consideration of residential uses in the CBD have not been met by the rezoning application.

Staff have completed a preliminary review of the application and note the proposal significantly deviates from the *Policy*. The proposal's significant non-compliance disregards the Policy's framework established by Council. Further, there is no compelling reason brought forward to deviate from the *Policy* or to consider this site differently from similarly situated sites that have complied with all applicable policies. Staff are seeking Council's direction on these matters prior to submitting the rezoning report for referral to a Public Hearing.

As the application does not comply with the *Rezoning Policy for the Central Business District (CBD) and CBD shoulder*, the General Manager of Planning, Urban Design and Sustainability recommends completing the review of the rezoning application in accordance with existing policy, recognizing that this may lead to a staff recommendation of non-support.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- *Downtown Official Development Plan (1975)*
- *Rezoning Policy for the Central Business District (CBD) and CBD Shoulder (2009)*
- *Heritage Policies (2020)*
- *Metro Core Jobs and Economy Land Use Plan (2007)*
- *Employment Lands and Economy Review Phase 2 Report: Emerging Directions for Consideration through Vancouver Plan (2020)*
- *Housing Vancouver Strategy (2017)*
- *Secured Rental Policy (2019)*

REPORT

Background/Context

1. Policy Context

Downtown Official Development Plan (DODP) – The intent of the DODP is to improve the general environment of the Downtown District as an attractive place in which to live, work, shop and visit. The site is located in Area A of the DODP. Currently zoned DD (Downtown District), a variety of commercial and non-residential uses are permitted on the site. Under the current zoning, developments with a floor space ratio (FSR) of up to 11.0 and a height of 137.2 m (450 ft.) are permitted, subject to view cone restrictions. Residential uses are not permitted in this area under the DODP.

Policies for rezoning proposals in this area anticipate new construction of a significant office building or hotel, to the maximum allowed in the DODP.

Metro Core Jobs and Economy Land Use Plan – This land use plan identifies opportunities for zoning and policy changes to address a shortfall of job space and to meet Vancouver’s 30-year economic needs. The plan identifies unique sub-areas in the Metro Core and provides policy directions to intensify development capacity for future job growth and economic activity. The Central Business District (CBD) was identified as the region’s premier business and cultural district with opportunities for new hotels, restaurants, retail, cultural venues, and other business support services.

Rezoning Policy for the Central Business District (CBD) and CBD Shoulder – Based on directions set out in the *Metro Core Jobs and Economy Land Use Plan*, this policy was introduced to allow sites in the CBD to be considered for additional height and density for non-residential development. The policy enables an intensification of land uses to close the gap in job space availability and to improve the economic climate. Residential uses were generally removed from the CBD area, as the goal is to deliver job space to serve Vancouver and the region. For sites covered by the CBD rezoning policies, rezoning applications with market residential use should only be considered in the following instances:

- a) *Where a proposal includes protection, through heritage designation and/or a heritage revitalization agreement and rehabilitation of a heritage building at risk, or.*
- b) *For large sites over 50,000 sq. ft., where a proposal achieves a substantial public benefit while still providing significant job space.*

As the site area in the current rezoning application is above 50,000 sq. ft., but does not propose a substantial public benefit, and the site contains a Vancouver Heritage Register (VHR) listed building, any proposal for residential uses on this site would be assessed against option (a) above. The proposal was also considered against the City’s *Heritage Policies*.

Employment Lands and Economy Review (“ELER”) – Launched in January 2019, the ELER was a major research and stakeholder engagement initiative designed to inform the economic foundations of the Vancouver Plan process. The project includes analysis of the characteristics of Vancouver’s economy, change over time and projections for the future including analysis of the city’s capacity to accommodate job growth over the long term under existing policy and zoning. The city accounts for 33% of regional employment and is expected to continue to be an important location for economic activity and job growth.

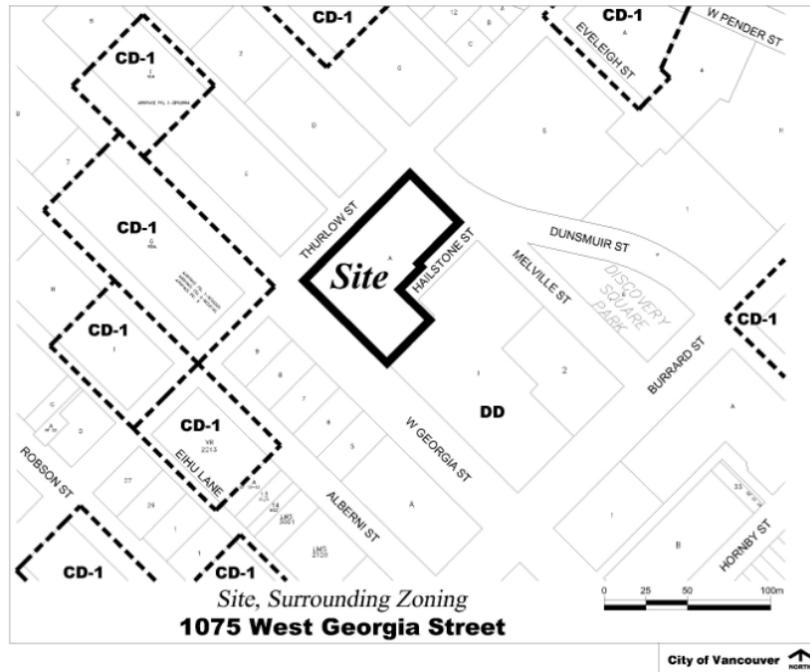
Vancouver Heritage Program (“VHP”) – Adopted in 2020, the VHP sets out guiding principles, vision, goals and directions to further integrate heritage conservation within citywide planning. The associated *Heritage Policies* provide guidance on the conditions in which a rezoning on a site containing a heritage resource may be considered. The heritage property on a rezoning site must be preserved, a high level of retention and conservation proposed, and it must be seismically upgraded. Legal protection of the heritage resource is required.

2. Site and Context

The subject site is located on the northeast corner of Thurlow and West Georgia Streets (see Figure 1). Zoned DD, the frontage is 70.4 m (231 ft.) along West Georgia and 90.5 m (297 ft.) along Thurlow Street, with a site area of 4,872 sq. m (52,443 sq. ft.). The site is currently developed with the 27-storey MacMillan Bloedel office tower and a two-storey parking structure. The office tower and parking structure were designed by Arthur Erickson and constructed in

1969. The tower is on the Vancouver Heritage Register (VHR) and listed in the “A” category, and considered a landmark building. The site is not municipally designated.

Figure 1: Site and Surrounding Zoning



Strategic Analysis

1. Proposal

The proposal is to rezone the site from Downtown District (DD) to CD-1 (Comprehensive Development) to permit a second tower, where the current parkade structure is located. The VHR listed office tower would remain as is. No conservation or designation plan has been offered for the heritage tower, and the owner has indicated the tower is in good condition.

The proposal is for a 47-storey mixed-use building containing commercial-retail uses at grade, one floor of office space and 484 secured rental residential units above (Figure 2). Of the residential units, 20% of the residential floor space is described as “workforce housing” for households with an income range of \$56,000 to \$120,000 per year. A height of 155.5 m (510 ft.) and a density of 16.18 FSR are proposed.

Figure 2: Proposed New Residential Tower and the existing MacMillan Bloedel Office Tower

2. Implications of Residential Uses in the CBD

The *Metro Core Jobs and Economy Land Use Plan* and ELER have identified a city-wide shortage of employment space. The ELER reinforces Vancouver's role as the central city in a growing region. Vancouver accounts for 33% of regional employment and is expected to continue to be an important location for economic activity and job growth. Demand for new job space is highest in the Downtown Peninsula and Broadway Corridor due to the concentration of major public transit routes and agglomeration of key businesses and commercial activities in these areas. Employment space is prioritized in these areas to ensure that the supply of new office and hotel space can meet demand in the city core over the long-term.

The market for office space in Vancouver was very tight previous to the COVID-19 pandemic. New supply is just coming online to help the city approach a normal vacancy level generally considered to be around 7% to 10%. As shown in the table below, vacancy rates before the pandemic were well below this range, which led to rapid escalation in rents and have remained high despite the vacancy rate moving from 2.6% in Q4 2019 to 4.5% in Q4 2021.

Figure 3: Office Vacancy Rates and Rents for Downtown Vancouver

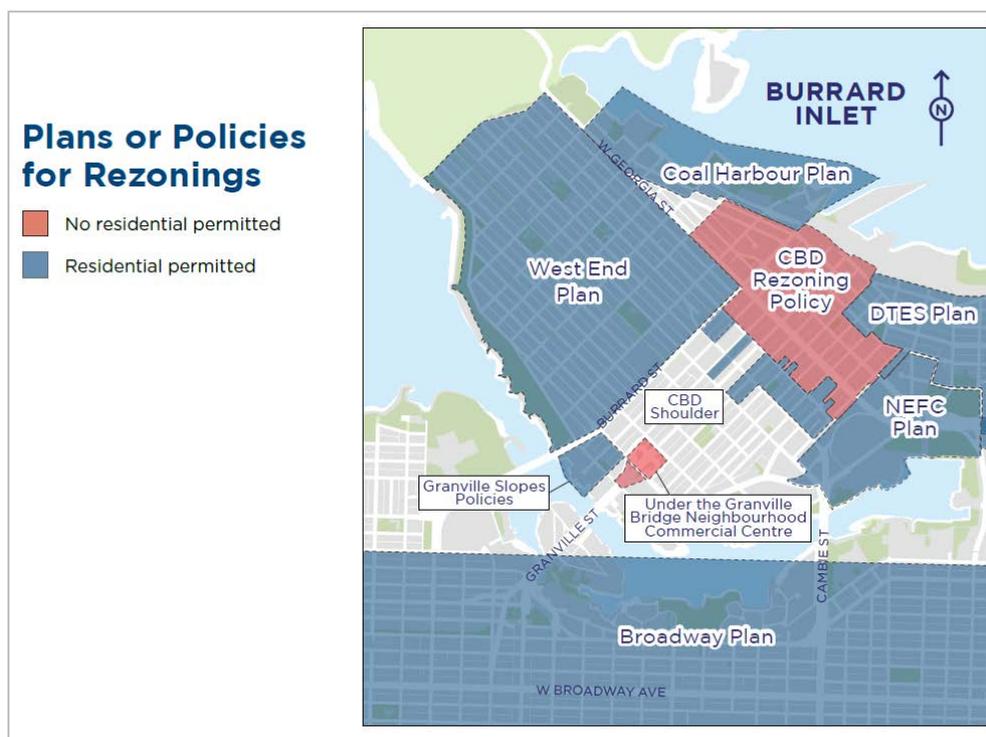
City of Vancouver	Vacancy Rate	Asking Rent / sq. ft.
Q4 2019 (pre-COVID)	2.6%	\$48.18
Q4 2020 (COVID)	4.2%	\$49.38
Q4 2021 (COVID)	4.5%	\$49.57

Source: Costar, extracted March 3, 2022

The introduction of market housing into areas designated for job space has implications for the wider CBD area, creating a competitive tension between job space and residential uses in areas

identified for office and hotel uses. This could substantially limit the City's ability to grow the supply of job space in high demand areas over the long term and would result in continued upward pressure on commercial rents, impacting the diversity of employers who can afford to operate in Vancouver. In 2009, Council restricted residential development in the CBD in order to provide key commercial space in the Metro core. Today, the CBD represents a small percentage (13%) of the downtown peninsula where stand-alone office building development continues to be viable. The reintroduction of residential uses in this key commercial hub would risk destabilizing land values in the area and make commercial development less viable. Within existing City policies, there is capacity to grow rental housing outside of this core downtown area.

Figure 4: Plan Areas that Permit Residential Housing in the Downtown Core



The *Housing Vancouver Strategy* and *Secured Rental Policy* identify the need for more purpose-built rental housing as it is a key source of secure, long-term housing for renter households. A robust supply of rental housing is also crucial for supporting a broad range of renter households in locations across the city, including areas accessible to transit and jobs, as well as in neighbourhoods away from major arterial roads.

There are a number of district schedules, community plans and city-wide policies that enable and encourage purpose-built rental housing within walking distance of the CBD (see Figure 4). Within the downtown peninsula, the *Downtown Official Development Plan* permits residential uses in Areas 'C2', 'C3', 'C4', 'G', 'H', 'J' and 'O'. The *West End Community Plan* promotes primarily residential uses, and the *Coal Harbour ODP*, *Downtown Eastside Plan* and *Northeast False Creek (NEFC) Plan* (Figure 4), enable housing within close proximity to the CBD. City-wide, there are opportunities for residential development within all community plans, the *Secured Rental Policy* (SRP), *Below-market Rental Housing Policy* and the pending *Broadway Plan* and *Vancouver Plan*.

3. Additional Policy Implications

Heritage Preservation – The *Rezoning Policy for the Central Business District (CBD) and CBD Shoulder* sets criteria by which residential uses may be considered in the CBD. Policy 5.1 relates to sites with a listed heritage resource, as noted below:

Where a proposal includes protection, through heritage designation and/or a heritage revitalization agreement and rehabilitation of a heritage building at risk.

The MacMillan Bloedel Building is a recognizable landmark that, along with other high-profile buildings in the immediate context, contributes to a distinctive sense of place in the CBD. The City's heritage policies would seek for any intervention onto a heritage site to be responsive to the character defining elements that generate the heritage value. The intent of the CBD Policy and the City's *Heritage Policies* is to protect heritage buildings where a significant public interest may be lost if an economically feasible package cannot be created in a timely way. This is generally considered to apply to heritage resources in danger of demolition due to neglect, or heritage sites that are significantly underdeveloped and vulnerable to redevelopment. In this case, the site contains a large desirable office building, rated as significant in the "A" rating on the VHR, and the building is not designated. While the proposal is to retain the building, it is not considered to be at risk, and the introduction of a larger structure with residential units 50 feet from existing office space, could be seen as compromising the value of the office space on that side of the heritage building. The owner has not offered designation of the heritage building, seismic upgrading or identified the need for structural upgrades.

Workforce Housing – The *Rezoning Policy for the Central Business District (CBD) and CBD Shoulder* sets criteria under Policy 5.2, by which a rezoning may be considered on large sites over 50,000 sq. ft., that include market residential uses. The Director of Planning is encouraged to demonstrate that the public interest is served by allowing residential uses while still providing significant job space. The proposed residential uses have been evaluated to determine whether they would satisfy the requirement for a "substantial public benefit".

As part of the application, the proposal is offering 20% of the residential floor area as "workforce housing," targeting essential workers. Examples of essential workers given by the applicant include medical personnel, teachers, government workers, and cashiers. According to the proposal, one member of a household would be required to meet the employment field criteria to be eligible for this subset of rental units.

Workforce housing is not an established term within the City's housing policies, nor is the income range proposed by the applicant. The City's below market rental housing policies and programs target households with an annual income between \$30,000 and \$80,000. The proposal's targeted household income range from \$56,000 to \$120,000 per year would not secure deep housing affordability as compared to established City policy. Compared with existing below-market policies, the workforce housing program proposes higher targeted rents at project opening, no limit on household incomes for eligibility, no cap on rent escalation at turnover, and no studio units (which target deeper affordability), among other differences.

As a result, staff do not consider the "workforce housing" a substantial public benefit under the City's current policies or programs.

PUBLIC INPUT

To date, public feedback has not been sought for this proposal as it does not align with Council-approved policies. The proposal will be presented for public feedback as part of the standard rezoning review process.

FINANCIAL IMPLICATIONS

Subject to Council direction and as part of any future rezoning process, staff would report back on applicable developer contributions (e.g. Development Cost Levies, Community Amenity Contributions, and Public Art), at time of referral.

CONCLUSION

Staff have provided a preliminary assessment of the proposal to rezone 1075 W Georgia Street from DD to CD-1 and determined the application has not demonstrated sufficient justification to deviate from existing policies. Staff are seeking Council's direction regarding these policies, prior to submitting the report to Council for referral to a Public Hearing.

The CBD continues to be an important location for economic activity and job growth. The introduction of residential uses in this area would compromise much needed job space for Vancouver and the region. Outside of this downtown core, there is capacity to grow rental housing under existing policies. Furthermore, proposals including a heritage listed building in the CBD should align with the *Heritage Policies*. Lastly, "workforce housing" is not considered a substantial public benefit under the City's current policies or programs.

The proposal significantly contravenes Council-approved policy and disregards the public trust and policy framework established by Council. This property has no special considerations or constraints that warrant deviation from the established policy framework. Neither have staff identified a compelling public interest to construe a benefit on this property that would not be available to other nearby properties. Other similarly situated properties have successfully complied with the policy provisions set out in the policy plans noted in this report.

The General Manager of Planning, Urban Design and Sustainability recommends completing the review of the rezoning application at 1075 W Georgia Street in accordance with existing policy, recognizing that this may lead to a staff recommendation of non-support. Should Council adopt the report Recommendation A, staff would continue processing the application, including public consultation, prior to bringing forward a rezoning report for Council's consideration.

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