

NO: R013

COUNCIL DATE: January 27, 2025

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **January 23, 2025**

FROM: **General Manager, Planning & Development** FILE: **6520-20**
(City Centre)

SUBJECT: **Updates to Central Business District Boundaries and Development Parameters**

RECOMMENDATION

The Planning & Development Department recommends that Council:

1. Receive this report for information;
2. Approve the proposed City Centre Plan Addendum, attached as Appendix “I”, to incorporate previously approved changes to Central Business District boundaries and associated non-residential and residential densities; and
3. Approve the proposed amendments to *Surrey Official Community Plan Bylaw, 2014, No. 18020*, as amended, attached as Appendix “II”, to align with the proposed City Centre Plan Addendum.

INTENT

The intent of this report is to seek Council approval of amendments to the City Centre Plan and related amendments to *Surrey Official Community Plan Bylaw, 2014, No. 18020*, all of which have been previously endorsed, in principle, by Council via Corporate Report No. R247; 2024.

BACKGROUND

On December 2, 2024, Council received Corporate Report No. R247; 2024, attached as Appendix “III”, outlining a proposed approach for clarifying the City’s expectations with respect to office/non-residential development in City Centre and related density bonus considerations. These updates are needed to respond to changing office market conditions and new provincial legislation. This approach includes short-term actions required to clarify office and employment expectations.

The report also identified further medium-term actions related to the review of Community Amenity Contribution (“CAC”) policies, including provisions for multi-phase development projects. This work is to be completed in conjunction with a broader review of Surrey’s development financing system that is underway and required as a result of provincial legislation (Bill 46-2023 and Bill 16-2024).

DISCUSSION

As directed by Council upon consideration of Corporate Report No. R247; 2024, staff are bringing forward amendments to the City Centre Plan and *Surrey Official Community Plan Bylaw, 2014, No. 18020* (the “OCP”) in order to:

1. Establish the office and employment density expectations in the Central Business District (the “CBD”), in particular for its two sub-areas, CBD Area 1 and CBD Area 2;
2. Establish the corresponding residential base densities for CBD Area 1 and CBD Area 2; and
3. Amend the boundaries of CBD Area 1 and CBD Area 2.

Staff is proposing an addendum to the City Centre Plan, attached as Appendix “I”, that consolidates the changes above, which Council approved in principle, into the City Centre Plan land use map and related development parameters. In order to ensure alignment between the City Centre Plan and existing City bylaws, amendments are also proposed to the OCP, as documented in Appendix “II”.

In addition to these changes, further analysis is required to assess how these office/non-residential expectations relate to phased development projects. It is timely to conduct this analysis in conjunction with the upcoming review of CAC policies, which will include considerations for multi-phase development projects.

Legal Services Review

This report has been reviewed by Legal Services.

CONCLUSION

Changes are needed to Central Business District boundaries and related office/non-residential expectations in order to respond to current office market conditions. Proposed amendments to the City Centre Plan and the OCP are being brought forward to implement these changes, which have previous endorsement, in principle, from Council.

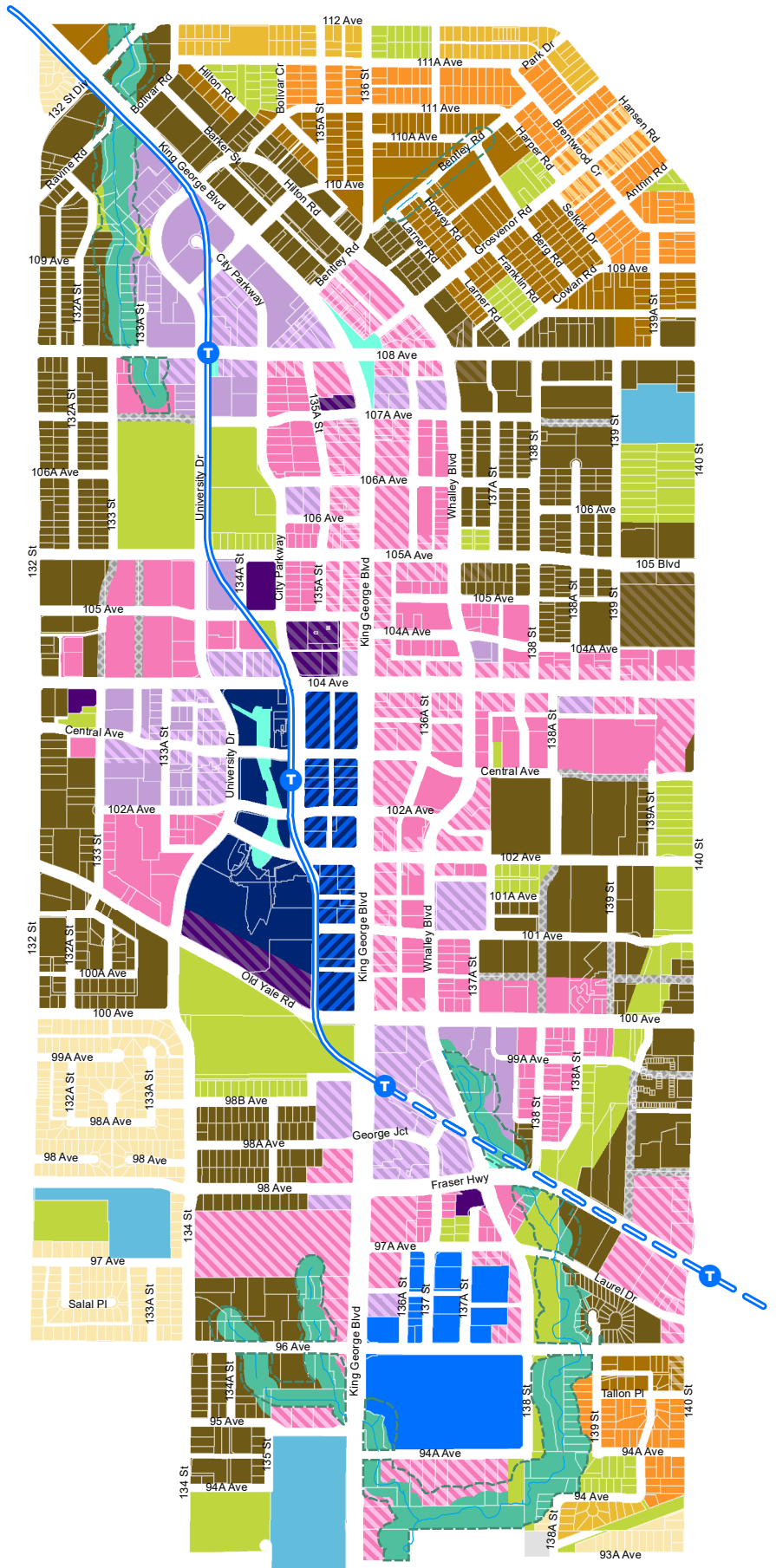
Original signed by
Ron Gill, MA, MCIP, RPP
General Manager, Planning & Development

Appendix “I” Proposed City Centre Plan Addendum
Appendix “II” Proposed Amendments to *Surrey Official Community Plan Bylaw, 2014, No. 18020*
Appendix “III” Corporate Report No. R247; 2024

Updated Land Use Concept

LEGEND

- Urban Residential
- Townhouse
- Low Rise Residential - Type I
- Low Rise Mixed-Use - Type I
- Low Rise Residential - Type II
- Low Rise Mixed-Use - Type II
- Low to Mid Rise Residential
- Low to Mid Rise Mixed-Use
- Mid to High Rise Residential
- Mid to High Rise Mixed-Use
- High Rise Residential - Type I
- High Rise Mixed-Use - Type I
- High Rise Residential - Type II
- High Rise Mixed-Use - Type II
- High Density Employment
- Central Business District - Area 1
- Central Business District - Area 2
- School
- Park
- Plaza
- Creek Buffer
- Utilities
- Long Term Road
- T SkyTrain Stations
- SkyTrain
- Watercourses
- Top of Bank Buffer



Development Parameters

Designation	Intent	Base Density	Building Height
Urban Residential	Single-detached and duplex housing with or without accessory dwellings	0.6 FAR	Varies up to 11 metres depending on building form and zone
Townhouse	Ground-oriented townhouses, including stacked townhouses	1.0 FAR	3 storeys (4 storeys for stacked townhouses with underground parking)
Low Rise Residential Type I	Ground floor townhouse units with front door access to the street and apartments above	1.3 FAR	4 storeys
Low Rise Residential Type II		1.85 FAR	4-6 storeys
Low Rise Mixed-Use Type I	Low rise building with street-level commercial and offices or apartments above	1.5 FAR	4 storeys (with potential recessed 5 th storey)
Low Rise Mixed-Use Type II		2.0 FAR	4-6 storeys
Low to Mid Rise Residential	Low to mid rise apartment building	2.5 FAR	6 storeys
Low to Mid Rise Mixed-Use	Low to mid rise building with street-level commercial and offices or apartments above	2.5 FAR	6 storeys
Mid to High Rise Residential	Mid to high rise apartment tower with podium at base	3.5 FAR	Heights to be in-keeping with the principles of the City Centre Building Height Concept
Mid to High Rise Mixed-Use	Mid to High rise tower and podium with street-level commercial and offices or apartments above	3.5 FAR	
High Rise Residential Type I	High rise apartment tower with podium at base	5.5 FAR	
High Rise Residential Type II		7.5 FAR	
High Rise Mixed-Use Type I	High rise tower and podium with street-level commercial and offices or apartments above	5.5 FAR	
High Rise Mixed-Use Type II		7.5 FAR	
High Density Employment	High density office, institutional and/or commercial uses	7.5 FAR	
Central Business District Area 1	High density development, providing significant employment space, in the form of a mixed-use building and/or separate standalone residential and non-residential buildings	7.5 FAR* including: - 3.5 FAR non-residential - 4.0 FAR residential	
Central Business District Area 2		7.5 FAR† including: - 2.0 FAR non-residential - 5.5 FAR residential	

* Within the Central Business District Area 1, the non-residential base density may be reduced from 3.5 FAR down to 3.0 FAR and the residential base density increased from 4.0 FAR to 4.5 FAR, if the non-residential floor space is delivered in a standalone building of at least 200,000 square feet and 15 storeys.

† Within the Central Business District Area 2, the non-residential base density may be reduced from 2.0 FAR down to 1.5 FAR and the residential base density increased from 5.5 FAR to 6.0 FAR, if the non-residential floor space is delivered in a standalone building of at least 100,000 square feet and 10 storeys.

**Proposed Amendments to
*Surrey Official Community Plan Bylaw, 2014, No. 18020, as amended***

The following amendments are proposed to the Land Uses and Densities Section of Plan Surrey 2013: Official Community Plan:

1. Page 57: Amend the “Downtown” Section by deleting it in its entirety and replacing it with a new “Downtown” Section, as shown in Attachment “A”.
2. Page 58: Amend “Figure 16: Downtown Densities” by deleting it in its entirety and replacing it with a new “Figure 16: Downtown Densities”, as shown in Attachment “B”.

Downtown

The DOWNTOWN designation is intended to support the continued development of Surrey City Centre as the primary commercial, civic, institutional, transit and high-density residential centre for Surrey and as the primary metropolitan centre for the "South of the Fraser" area of Metropolitan Vancouver. Urban design of public and private sector development including buildings, streets, plazas and gathering spaces, is intended to be of the highest quality to provide a vibrant, pedestrian-friendly and highly attractive environment and to support investment and activity in the City Centre.

Lands within this designation are intended for the highest density development in Surrey in order to support a vibrant commercial and civic centre and to support high-capacity rapid transit services. This includes commercial, retail and office developments, major institutional and civic developments, public facilities and mixed-use commercial and residential developments.

Standalone, high-density residential apartment development may be permitted in selected areas within this designation as identified in the *Surrey City Centre Plan*.



Example of Central Business District Designation:
Central City Office Tower

DEVELOPMENT CONSIDERATIONS FOR DOWNTOWN:

Densities:

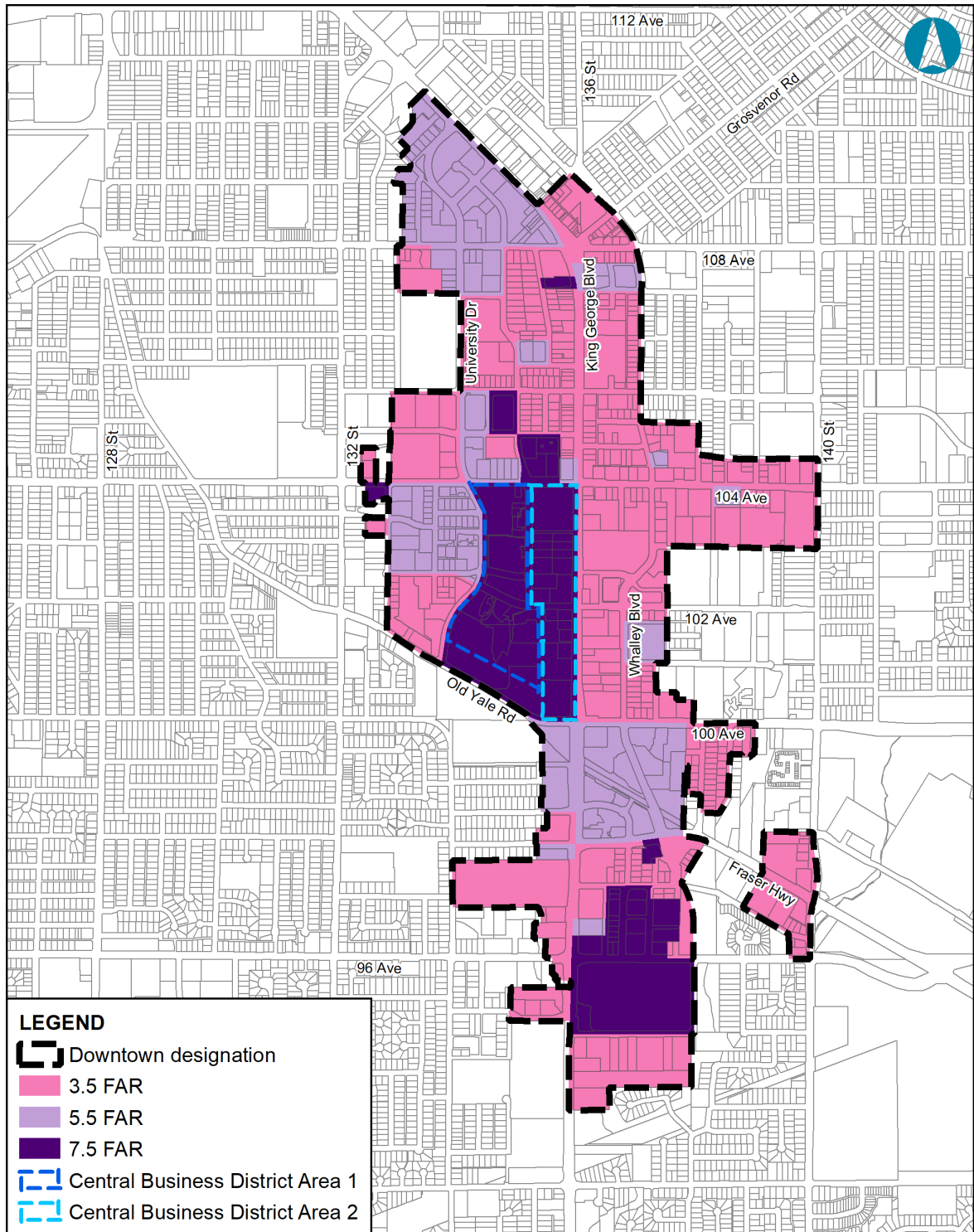
- ⇒ Densities within the DOWNTOWN designation vary by location as shown in Figure 16.
- ⇒ Densities within DOWNTOWN are calculated on gross site area before dedications for public purposes such as streets, parks or plazas.
- ⇒ Within Central Business District Area 1, as shown in Figure 16, the density of 7.5 FAR is comprised of 3.5 FAR non-residential and 4.0 FAR residential. If the non-residential floor space is delivered in a standalone building of at least 200,000 square feet and 15 storeys, non-residential may be reduced to 3.0 FAR and residential increased to 4.5 FAR.
- ⇒ Within Central Business District Area 2, as shown in Figure 16, the density of 7.5 FAR is comprised of 2.0 FAR non-residential and 5.5 FAR residential. If the non-residential floor space is delivered in a standalone building of at least 100,000 square feet and 10 storeys, non-residential may be reduced to 1.5 FAR and residential increased to 6.0 FAR.
- ⇒ Additional bonus densities may be granted in accordance with applicable bylaws.

Development Permits:

- ⇒ Commercial, multiple-unit residential and mixed-use developments within the DOWNTOWN designation are subject to the issuance of a Development Permit in accordance with DP1 of the Implementation Section of this OCP.

Figure 16: Downtown Densities

- BL 19324
- BL 19627
- BL 19372
- BL 19611
- BL 19298
- BL 20009
- BL 20113
- BL 20141
- BL 20160
- BL 20190
- BL 20192
- BL 20649
- BL 20658
- BL 20678
- BL 20705
- BL 20651



NO: R247

COUNCIL DATE: December 2, 2024

REGULAR COUNCIL

TO: Mayor & Council DATE: November 28, 2024

FROM: Acting General Manager, Planning & Development FILE: 0550-20-06
General Manager, Finance

SUBJECT: Proposed City Centre Office and Density Bonus Policy Amendments

RECOMMENDATION

The Planning & Development Department and Finance Department recommend that Council:

1. Receive this report for information;
2. Endorse, in principle, the proposed set of actions on changes to the City's office development and density bonus policies in the City Centre, as outlined in this report; and
3. Direct staff to bring back amendments for Council's consideration to *Surrey Official Community Plan Bylaw, 2013, No. 18020, Surrey Zoning By-law, 1993, No. 12000*, and any other City bylaws, policies, and regulations as required to implement these changes.

INTENT

The intent of this report is to seek Council's endorsement in principle for proposed changes to the City's policies related to office development in the Central Business District, along with related density bonus policies that apply more generally to high-density development, in order to respond to changing market conditions and new Provincial legislation.

BACKGROUNDProvincial Legislative Changes Related to Density Bonus

The Local Government Act ("LGA") s. 482 allows for the granting of "bonus" density to development projects, above the nominal or "base" density prescribed in a zoning bylaw, in exchange for the provision of amenities that benefit the community. LGA s. 482.3 allows the payment of cash ("density bonus contribution") by a developer to the local government as an option, instead of providing the amenity directly. Recent changes to the LGA effected through Provincial legislation, mainly Bill 46-2023 and Bill 16-2024, require the City to make some changes to the way density bonus is implemented in Surrey.

The City uses the density bonus provision in the LGA to support its capital plan for amenities that are necessary to meet the demands of a growing population, such as recreation centres, libraries, and affordable housing. Density bonus contributions are a significant part of the funding for such

amenities; over the past three years density bonus contributions from high-density development (mostly in City Centre) have averaged \$24 million per year.

Surrey's current density bonus system sets out several categories of development contributions that are detailed in Schedule G of *Surrey Zoning By-law, 1993, No. 12000* (the "Zoning By-law"). Staff is working on a package of amendments that will harmonize *Surrey Official Community Plan Bylaw, 2013, No. 18020* (the "OCP"), Zoning By-law, and supporting bylaws with the changes to Provincial legislation, and will bring these proposed amendments forward for Council's consideration well in advance of the June 30, 2025 deadline established by the Province in Bill 16-2024.

While this staff work proceeds, staff have identified a need to advance a number of policy components specific to density bonusing for high-density development in the City Centre that are pressing and time sensitive. These components include:

- Clarifying the City's minimum requirements for office, entertainment and office-supportive retail uses in the Central Business District ("CBD") area of City Centre;
- Establishing a maximum amount of market residential density that counts as base density within the CBD, and above which density bonus contributions are expected;
- Changing the timing of collecting density bonus contribution payments, to align with the new Provincial legislation;
- Clarifying the procedures for allocating and collecting density bonus payments on large, multi-phase projects; and
- Clarifying exemptions to density bonus contributions including non-residential floorspace, non-market housing, and rental housing.

These proposed changes are more time sensitive as there are several large, multi-phase development projects that are nearing final adoption of rezoning and building permit application, and where density bonus contributions need to be determined.

Office and Employment Policy in the CBD

In March 2022, through Corporate Report No. Ro63; 2022 (Appendix "I") Council endorsed the Office and Employment Strategy and amended the City Centre Plan to incorporate the CBD in the core of downtown, centred around the Surrey Central SkyTrain Station, the City Hall complex, and SFU Surrey campus. The CBD was subdivided into two sub-districts (CBD 1 and CBD 2), and Council endorsed the principle of establishing a minimum expectation for office development within these areas; however, these minimum office and employment densities have not been confirmed by bylaw, which has created ambiguity around development requirements and has implications for density bonus payments that apply to development applications in the CBD.

DISCUSSION

Proposed Office and Employment Requirements in the CBD

One of the key policy goals in the OCP and City Centre Plan is fostering the growth of employment in the City Centre area, and in particular a regionally significant office district that anchors the "second downtown" of the region.

In Corporate Report No. Ro63; 2022 (Appendix “I”), the CBD 1 area with a Floor Area Ratio (“FAR”) of 7.5 was proposed as entirely non-residential, while the minimum office and employment expectation in the CBD 2 area was suggested as 3.5 FAR. This amount of office and employment density was intended to encourage the development of an office district and to ensure that single-use market residential developments did not occupy key central sites and prevent the emergence of a core office district. A robust office district supports a diversified tax base for the City and brings other benefits along with local employment: entertainment and hospitality uses such as restaurants, hotels, cultural and sports facilities benefit from the daytime population of workers and commuters, creating a “virtuous circle” that builds a true downtown. A market study commissioned by the City in 2021 indicated a strong demand for office space and low vacancy rates in Surrey City Centre; this study informed the proposed policy set out in Corporate Report No. Ro63; 2022.

Since 2022, it has become apparent that the market demand for office development, both regionally and internationally, has adjusted, along with the economic viability of large office developments. This adjustment was noted by developers active in the region and further confirmed by a second market study commissioned by the City in 2023 by the consulting firm nblc (Appendix “II”). This study confirmed that the demand for office space has adjusted as firms have responded to the post-COVID environment of remote and hybrid work arrangements by reducing their office space footprint and leased space. While the future of workspace is uncertain, it is apparent that the near-term and medium-term demand for office is reduced from what it was prior to 2021. It follows that the City’s requirements for office space in new developments within the CBD may be adjusted to ensure financial viability while retaining the opportunity to create an employment and entertainment district in the heart of Surrey City Centre.

To balance the objective of developing an office and entertainment district in the CBD area with financial viability, staff is proposing a revised minimum requirement of 3.5 FAR of office and “office-supporting” non-residential uses (such as hotels, restaurants, groceries, and cultural space) in the CBD 1 area, and a revised minimum of 2.0 FAR of these uses in the CBD 2 area. Staff is also proposing to adjust the area boundaries of the CBD 1 and CBD 2 areas, as shown in Appendix “III”.

Office space is typically delivered in two formats in high-density mixed-use developments. The first type is “podium” office space, where the second through fourth floors of a mixed-use tower is non-residential space, with residential towers built above these podium levels. These offices tend to favour smaller leasable occupancies and, therefore, smaller firms, since the elevator shafts and tower building cores break up the podium space. The second type is a “stand-alone” office tower, either on its own parcel or as one of several towers above a common parkade and podium. This type of office building typically allows for larger floorplates, larger and more flexible leasable occupancies, and arrangements that attracts larger firms seeking longer leases or outright ownership. As a way of encouraging stand-alone office buildings, staff is proposing to allow for a further reduction in the minimum office and office-supporting requirement to 3.0 FAR in CBD 1 and to 1.5 in CBD 2 if the office space is delivered in a stand-alone form at a scale of 200,000 sq. ft. in CBD 1 and 100,000 sq. ft. in CBD 2.

Proposed Density Bonus Calculations in the CBD

Without Council-approved bylaw provisions on the minimum amount of office and employment density required of developments in the CBD, it is not possible to establish a firm base residential density above which bonus density contributions (known as “Tier 2 CACs”) may apply. On a large

high-density project, this ambiguity can result in a difference of several million dollars in Tier 2 CAC revenue to support community amenities, resulting in protracted negotiations between staff and the developer.

For example, in the core of the City Centre, the base density allowed is 7.50 FAR. If the minimum office and employment “base density” is set at 2.5 FAR, the resulting residential base density would be 5.0 FAR and any additional residential density would be “bonus” and result in a density bonus payment. If, on the other hand the minimum office and employment base density is set at 1.0 FAR, the residential base density would be 6.5 FAR, and density bonus would only apply above this threshold. On a large development proposing 7.0 FAR / 700,000 sq. ft. of residential floor area, this difference of 1.5 FAR in bonus density would result in a variance of \$6M (\$8M vs. \$2M) in payments to the City.

As discussed above, the staff proposal is to set the minimum office requirement at 3.5 FAR in CBD 1 (reducible to 3.0 FAR for stand-alone office larger than 200,000 sq. ft. and 15 storeys) and 2.0 FAR in CBD 2 (reducible to 1.5 FAR with stand-alone office larger than 100,000 sq. ft. and 10 storeys). Therefore, the maximum market residential base density would be 4.0 FAR in CBD 1 (increasable to 4.5 FAR) and 5.5 FAR in CBD 2 (increasable to 6.0 FAR). Market residential floor area above these densities would be subject to Tier 2 CACs, which are currently \$44.56/sq. ft.

These proposals were presented at the November 21, 2024 Development Advisory Committee meeting and were well-received by the members of the committee, including a number of major developers active in City Centre.

Proposed Timing of Density Bonus Payments

Recent provincial legislation (Bill 16-2024) amending the LGA requires local governments to collect density bonus contributions from development at the time of subdivision or building permit (“BP”) issuance. This differs from the City’s current practice of collecting Tier 2 CACs at the time of rezoning. Aligning the City’s practice with the new provincial legislation will defer collection of these contributions by up to several years for some projects and will align with the collection of Development Cost Charges (“DCCs”).

The issue of timing is particularly significant on large, multi-phased projects, where BPs for later phases of a project may not be issued for many years after the rezoning of the overall project site. In the case of density bonus contribution payments on multi-phase projects, clarity in the form of a Council-approved policy will reduce uncertainty for developers and allow the City to prepare more accurate revenue projections for capital planning purposes.

The staff proposal is for the City to provide an option to the developer of a multi-phase project, to either:

- Pay the full amount of the Tier 2 (density bonus) CAC for the entire project at the time of the first full BP issuance, calculated at the rate prevailing on that date; or
- Pay the proportion of the full Tier 2 (density bonus) CAC applicable to each phase of the project, calculated on the portion of the site being developed and at the rate prevailing on the date that the first full BP is issued for each phase.

For example, if the total Tier 2 CAC for a four-phase project is calculated at \$8M, the developer would have the option of paying the full \$8M on the date of the full BP issuance for phase 1, or of

paying \$2M on the date of the first full BP issuance for each equal phase. The benefit to the developer of the second option is clear, but there is some risk that the rate of the Tier 2 CAC is increased during the build-out of the project. This risk can be managed by allowing a 12-month “in-stream” rate protection for projects that have submitted a complete BP application before the date of a rate increase. This approach aligns with the City’s practice for DCC collection, as well.

Exemptions from Density Bonus CACs

The City’s current practice is to calculate density bonus CACs only on market residential floorspace in a strata or fee-simple form of ownership. The City exempts below-market rental floorspace along with office, commercial, institutional, and other non-residential floorspace from density bonus calculations.

The City has also exempted market rental residential floorspace from Tier 2 CACs, where the developer has entered into a Housing Agreement with the City, restricting the tenure of the units to rental for a certain period of time. Once a Housing Agreement expires and rental units are offered for sale, the City would levy CACs on bonus density; however, tracking the expiry of Housing Agreements and sale transactions is challenging.

The exemption of market rental residential floorspace from density bonus payments is controversial. On the one hand, bonus density (above the OCP) available on a rental development has real value to a developer, although this value is realized over a longer period of time, either through rents, the sale of a rental building, or the future sale of strata units once rental restrictions expire. On the other hand, market rental development is typically seen as less profitable than market condo development, and CACs or other fees may make “purpose-built” rental uncompetitive or not financially viable. The issue is further complicated by the fact that many market condo units are rented out by investor-owners, creating an equity imbalance as the tenants of these units are “contributing” to the amenities of the community differently than the tenants of rental units held by a developer or institutional investor.

New development—whether owner-occupied condos, rented condos or secured market-rate rentals—places a burden on the City’s existing amenities and facilities. Determining whether it is equitable and financially viable to establish a Tier 2 density bonus CAC applied to market rental is a key decision for the City. The complexity of this issue requires a careful review that is beyond staff’s expertise. Staff propose a market assessment by a qualified consultant, along with consultation with knowledgeable industry partners to determine if market rental development should continue to be exempted from density bonus calculation, or whether a unique CAC rate may be equitable and financially viable.

Proposed Approach

Based on the preceding discussion, staff is proposing a set of actions that includes:

1. Establishing minimum office and employment density expectations in the CBD 1 and CBD 2 designations in the City Centre Plan, as outlined above;
2. Establishing maximum market residential base densities for developments in the CBD designations, as outlined above;
3. Amending the boundaries of the CBD 1 and CBD 2 designations in the City Centre Plan, as outlined in Appendix “III”;

4. Establishing a policy with options for the allocation and collection timing of density bonus CAC payments for multi-phase development projects; and
5. Retaining a market consultant to develop recommendations on whether to establish an equitable and viable CAC rate on density bonus market rental development.

This proposed set of actions are part of a larger review of the City's CAC policies to align with Provincial requirements which must be completed before June 30, 2025. The proposed actions outlined in this report are time sensitive as they affect active developments under application and are being accelerated in advance of the larger review.

In addition to the consultation with the DAC held on November 21, 2024 staff propose to consult with the Mayor's Development Approval Process Improvement Task Force. Following this consultation, proposed bylaw and policy amendments will be brought forward for Council's consideration over the next few months, with the goal of completing this work before Spring 2025.

Legal Services Review

This report has been reviewed by Legal Services.

CONCLUSION

Recent provincial housing legislation has a significant impact on how the City is able to finance community infrastructure and amenities that are needed to support population growth. This will require changes to the City's current system of CACs and density bonus, along with changes in the way funds are collected, held, and reported. There is a need to accelerate parts of this larger review of the City's policies and procedures that are time sensitive. This report sets out a proposed approach for Council's consideration and endorsement, to be implemented through subsequent amendments to the OCP, the Zoning By-law, other related bylaws, and policies.



Ron Gill, MA, MCIP, RPP
Acting General Manager, Planning & Development



Kam Grewal, CPA, CMA
General Manager, Finance / CFO

Appendix "I" Corporate Report No. Ro63; 2022

Appendix "II" Surrey City Centre Office Developer Market Insight Study (April 2023)

Appendix "III" Proposed Amendments to the Central Business District Designations

[https://surreybc.sharepoint.com/sites/pdgnadministration/document library/corporate reports/future/city centre office policy amendments/cr proposed city centre office policy amendments.docx](https://surreybc.sharepoint.com/sites/pdgnadministration/document%20library/corporate%20reports/future/city%20centre%20office%20policy%20amendments/cr%20proposed%20city%20centre%20office%20policy%20amendments.docx)

Appendices Available Upon Request