

Mayor Alto & Council
City of Victoria
City Hall
1 Centennial Square
Victoria, BC V8W 1P6

December 19, 2023

Dear Mayor & Council,

RE: 710 Caledonia Avenue & 1961 Douglas Street | REZ00815, DPV00205 | Development Variance Permit Application

In April of 2022, Chard submitted a combined rezoning and development permit for a proposed mixed-use project, presented through a progressive partnership between Chard Development Ltd and BC Housing occupying the properties located at 710 Caledonia Avenue and 1961 Douglas Street within the Burnside Gorge neighbourhood. The vision for the redevelopment was to provide a socially conscious, inclusive community comprised of three distinct residential buildings over a shared commercial podium that includes office, a full-service grocery store, and a childcare facility, complemented by a large public urban plaza. At the Public Hearing on June 29, 2023 the proposal was approved unanimously by Council and on November 16, 2023.

Over the past 18 months and since the initial submission of our application, the Bank of Canada has proceeded with an unprecedented strategy to rein in inflation. Canada has seen the central bank increase base interest rates from historic lows of 0.5% to 5.0% and bank prime rates from 2.7% to 7.2% today.

In addition, Canada has seen some of its highest growth rates in population over the past few years; with major increases in 2021 and 2022. The federal government is targeting nearly 1.5 million additional immigrants between 2023 and 2025, with an annual high of 500,000 by 2025 alone. There is now clear recognition for how local governments plan to meet the needs of our growing population when it comes to providing services and planning for the housing market demand.

The market shift has caused issues with financing all types of real estate, but especially Commercial. This has forced other developers to halt existing projects in their pipeline for the indefinite future. True to our values, we intend to see this project built, completed and occupied to help satisfy the critical need for housing within the City. The current and foreseeable financial environment will remain challenging. To ensure viability of the project, we are requesting that the commercial office component of the approved project is reduced and replaced with purpose-built, multi-family rental homes. Increasing the number of purpose-built rental homes in the proposed development by 64. (from 304 to 368).

We are not seeking to increase the allowable density as permitted under the approved Rezoning but rather have worked rigidly within the maximum density permitted. We are, however, seeking some variances from what was originally approved for height and parking in exchange for:

- **64 additional purpose-built rental homes**, whilst still providing **office space (in a co-working format)** capable of serving a similar population to that of a traditional office format;
- Reduced highway access along Caledonia resulting in an **improved public realm**;
- **Mitigation of neighbourhood impacts** – reduced blasting and excavation due to parkade efficiency; and
- **Enhanced amenities**, improving livability and the likelihood of long-term tenancies.

Through the previous rezoning process, purposeful effort went into working collaboratively with the community and City staff to design a built form that respects and complements the existing neighbourhood context. This current application honours that work and remains committed to that well advanced process. The architectural intent will be unchanged and total density will even be slightly lower. The proposed change is a direct response to current market conditions and presents an opportunity to work together with the City of Victoria to progress the City's key housing objectives in an expedited manner. Our overarching goal for this proposal remains the same as when our Rezoning and Development Permit Application was submitted in April 2022, which was to create a complete community which includes a diversity of employment-generating spaces, below-market residential rental housing and market residential rental opportunities. Active transportation and accessibility are at the heart of this application, with environmental standards exceeding City policy.

CURRENT FINANCIAL LANDSCAPE

We have provided detail below about the key factors in the current financial environment that have contributed to the requested amendment:

Rise of the Hybrid Work-Model

Since January of 2020, national office vacancy rates have increased from 8% to 14%, as highlighted in Colliers' Q3 2023 National Market Snapshot. In the City of Victoria, office sublease volumes have decreased by 23.9% from the previous quarter, with spaces exceeding 10,000 square feet consistently returning to the market. Spaces under 5,000 square feet have maintained steady absorption, suggesting a trend in businesses reassessing their requirements for space. Brokers are anticipating office vacancy rates to continue to rise.

These statistics align with recent insights from the Labour Force Survey, revealing that over 30% of employees in key office-occupying sectors, including government, professional services, finance, and tech, have predominantly embraced remote work.

The growing popularity of the hybrid work model is evident in both office leasing and development, with commercial tenants opting for downsized, more flexible workspaces in response to evolving professional preferences.

Need for More Rental Housing

The 2022 Annual Housing Strategy Review notes the significance of the rental population in Victoria, with 61% of households listed as renters. Over the last 6 years; average rent in Victoria has grown at a disproportionate rate; 1.8% higher than the growth rate of typical renter's income. According to the CMHC's Rental Market Survey, the private primary market rental universe saw only a marginal increase of 396 rental units from 1991 to 2021. Considering that 61% of the population rents, this translates to a ratio of 0.03 new primary rental units per person over this period.

Victoria continues to be an attractive place to live for those new to Canada and for existing Canadian residents looking to relocate. The demand for rental homes in B.C. continues to outpace supply, and the Provincial government is recognizing this through new legislation intended to address the availability and affordability of housing. Victoria's rental vacancy rate hovers at 1.5%, despite the 1,411 new units added to its inventory in 2022, including the addition of 249 net new primary rental units. Local governments will be the catalysts for approving this new housing supply to address both current needs and future growth.

PROPOSED AMENDMENT

As a trusted partner with proven capability to deliver housing in the City of Victoria, we take pride in the communities we design and deliver. This amended scheme continues our commitment while reacting to a changing market.

By transferring the office and dedication the podium under Building B toward the rental tenure, we are able to provide an additional 64 purpose-built rental homes. This is a 21% increase in purpose built rental homes when compared to the previously approved scheme.

The proposed amendment will help simplify key service needs such as BC Hydro, sewer attenuation and access bylaws without jeopardizing the architectural intent of the proposal. We would like to emphasize that the amendment still supports the grocery, below-market suites, childcare facility, and public plaza.

SUMMARY			
	Original Scheme	Proposed Scheme	Variance
Floor Area	45,636.10 m ²	42,089.74 m ²	-3,546.36 m ²
FSR	6.79	6.26	-0.53
Max Height	72 m	74 m	+2 m
Max Storeys	21	22	+1
Total Homes	451	516	+65*
Residential Floor Area	36,359.62 m ²	36,282.42 m ²	+77.2 m ²
Commercial Floor Area	98,852 m ²	5,807.32 m ²	-93044.68 m ²

*64 homes will be dedicated to rental

Transfer of Use

The previous application contemplated an increased multi-use density of 6.79:1 FSR with an approved residential floor area of 5.41:1 FSR. By re-allocating the commercial floor area toward rental, the amendment will continue our vision of a mixed-use development that includes a diversity of uses under a combined density of 6.26:1 FSR. You will notice that we are able to achieve this modification while staying within our approved residential floor area, negating the requirement to amend the approved zoning of the site, and providing an opportunity to deliver new homes quickly.

RESIDENTIAL FLOOR AREA		
	Original Scheme	Proposed Scheme
BUILDING A	1.48	1.36
BUILDING B	1.97	2.36
BUILDING C	1.96	1.68

COMMERCIAL FLOOR AREA		
	Original Scheme	Proposed Scheme
BUILDING A	0.00	0.00
BUILDING B	0.64	0.05
BUILDING C	0.74	0.82

TOTAL	6.79	6.26
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KEY BENEFITS

This project continues to encompass a holistic approach to urban development with complete intention to echo the commitments of the previously approved application:

- No displacement of Residents or Businesses
- Public Plaza and Public Realm Improvements
- A Dedicated Childcare Facility
- Community-Serving Retail and Large Grocer
- Unique Amenities
- A Sustainable, Transit-Oriented, 15-Minute Neighbourhood

As the market evolves, we are forced to make shifts to deliver on developments with thriving communities. We are proud to offer the following to compliment this shift:

Increased Rental Supply

By re-allocating office floor area toward rental housing, this amendment will bring 64 additional purpose-built rental units to the City of Victoria in the form of 'Central Urban Housing' targeted towards young professionals and families. These additional homes will help free up other rental properties along the housing continuum, providing security of tenure and creating a strong, vibrant community.

Work-Live Balance

The new design incorporates 9,770 square feet of shared office space, complete with the necessary equipment for a typical office setting. The commercial space is anticipated to be managed by a co-working platform, located within the podium of Building C and will be accessible via the public elevator located off the public plaza.

By providing communal office space rather than traditional strata office, the development can offer a more affordable option for professionals who are considering a reduction in operating costs or looking to grow a small business. For residents who choose to work remotely, they are able to utilize this as an amenity to stay within their '15-minute neighbourhood' with the benefit of a more socially conscious work environment. Entering the Co-working space off of the plaza will help further activate this important public realm.

We view this as a comparable replacement to the previous 40,000 square feet of approved office floor area when considering the efficiencies of a co-working platform. For context, we have referenced a local co-working club that currently manages approximately 400 individual members, including 70 teams (companies with 2 or more people), and numerous solo business owners. Operating with around 20,000 square feet of office space, this translates to 50 square feet of office space per user, boasting an efficiency rate of 80% compared to the standard office design benchmark of 250 square feet per employee.

As we continue to realize what the hybrid-work model means for Victoria's office market, developers & designers need to consider the benefits they can offer to support the evolving needs of residents and businesses in a complete community.

No Change to BC Housing Timeline

This proposal has always been aligned with BC Housing's concurrent application for 726-732 Discovery Street (Discovery) where 90 purpose-built supportive housing units will be built to house the tenants of the existing Hotel on

the adjacent site at 1961 Douglas. The detailed design of the Discovery Site is now well underway and will not be delayed by this change.

Combined Amenities

By combining the Podium of Building B with Building C under one operator, residents will have communal access to a suite of amenities including secure bike storage, bike+e-scooter share programs, rooftop indoor and outdoor lounges, a fitness facility, guest suites, pet wash facilities, a demonstration kitchen and an admirable 9-hole mini-putt on the shared podium.

Improved Highway Access

Further, combining airspace parcels will simplify reciprocal access easements and provide a better opportunity to address the outlying concerns with the driveway access strategy for the site. Previously, a total of four (4) driveway crossings were proposed, however we are now able to consolidate the rental parkade access on the minor street classification along Discovery Street.

By reducing driveway crossings to three (3), we are able to significantly reduce traffic along Caledonia encouraging safer road conditions for pedestrians and cyclists on Caledonia Street, negating the need for precautionary measures such as the raised median in the previous scheme.

Mitigation on Neighbour Impacts

As we heard from the surrounding owners at the recent Public Hearing held on June 29, 2023, adjacent business' have shown concern with the disruption to their operation from the expected excavation and bed rock blasting. Some of these concerns relate to the structural integrity of surrounding heritage buildings.

As proposed, we have simplified the below-grade parkade structure which will help speed up the excavation, resulting in less blasting, and less disruptions to our neighbours.

DP AMENDMENTS

Parking

A further relaxation of the residential parking requirement is proposed to reflect the rental use in consideration to the location of the development, the concept of a '15-minute neighbourhood' and an overall design approach to support active forms of transportation.

	Original Scheme		Proposed Scheme	
	Spaces	Ratio	Spaces	Ratio
RESIDENTIAL	226	0.5 / suite	216	0.42/ suite
COMMERCIAL	164	1.77 / 100m ²	107	1.84 / 100m ²
VISITOR	30	0.07 / suite	<i>Shared</i>	
TOTAL	420		323	

To support our request, we have implemented further design considerations to provide residents with access to their day-to-day needs through the inclusion of additional bike parking, e-bike and e-scooter share programs, and increased carshare spaces from 2 to 6 stalls.

Height

To address structural considerations, amenity distribution, and the unique requirements posed by the commercial uses, the proposal will be seeking a further relaxation in height:

1. **Building A:** to accommodate significant structural elements to support the uses in the loading lane.
2. **Building B:** to create a more balanced amenity package in the development, the proposal has added a rooftop amenity within Building B where previously, the top floor was designated as a private Penthouse.
3. **Building C:** to meet the needs of the floor-to-ceiling height requirements of the co-working space, the building height has increased.

	Original Scheme	Proposed Scheme
Building A	55 m	56 m
Building B	72 m	74 m
Building C	65 m	67 m

SUMMARY

At 1961 Douglas Street and 710 Caledonia Avenue, we remain committed to developing a socially conscious and inclusive community that meets the needs of residents while positively contributing to the long-term urban fabric for the City’s Downtown Core. We are proud of what we have delivered to the City of Victoria in the history of our company and want to keep to our word as builder’s and believers in Victoria. This is a unique opportunity in an ever-changing market to holistically plan and develop a community that touches nearly all levels of the housing continuum and firmly establishes the existence of a complete, 15-minute neighbourhood on a primary transit corridor, at the northern gateway to Downtown Victoria.

Guided by our core values of socially conscious urban planning principles, we believe that the proposed development passes the architectural squint test when compared to the previous submission. As such, I am respectfully asking the City to work collaboratively and with expediency to approve this amendment and as such, get these homes built.

I appreciate Council’s consideration of this application and look forward to working with you to make this housing a reality.

Sincerely,

CHARD DEVELOPMENT LTD.

BC HOUSING, PROVINCIAL RENTAL HOUSING CORP.




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CC: Karen Hoese, Director of Sustainable Planning & Community Development, City of Victoria
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