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Developers face challenges building in Vancouver

BY BARRY RUEGER

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Sketch of Catalyst's 600 Queens West project.

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Greater Vancouver is one of North America's toughest housing markets, [with expensive real estate and a significant shortage of affordable rental units](#). Even though local governments acknowledge the problem, the property developers who want to build multiple-unit housing often face pushback from municipal councils and local activists.

The North Shore of Vancouver is home to three suburban municipalities: West Vancouver, with its 10,000-

square-foot monster mansions, and the two North Vancoovers: the densified City of North Vancouver, nestled against the waterfront, and the largely single-family suburban [District of North Vancouver](#) which surrounds it.

The current North Vancouver District council was elected in 2018, and since then every proposal for multifamily housing, including rental, has been defeated, postponed, or rejected. Local developers are making hard decisions to keep their businesses moving forward at a time when the municipality is blocking every housing development that comes before them.

Anne McMullin, president and CEO of the [Urban Development Institute](#), an organization that represents residential, commercial, and industrial developers in British Columbia, has seen developers shifting their focus to cities that seem more amenable to development. The organization's members create roughly 230,000 jobs and contribute \$22 billion annually to the British Columbia GDP.

McMullin is worried about the longer-term impact of barriers to development, especially with the economic slowdowns related to the [coronavirus pandemic](#). "We're in a very different situation right now with the crisis that we're in. [Our sector] had already slowed in the last 18 months, so how do we recover? And if we had a huge pullback in the last 18 months, and a lot of the money left British Columbia, how do you bring it back? The fear is that once the money's left, it may take a couple of years to get it back, because the money's been spent."

North Vancouver District is home to Oliver Webbe, president of the [Darwin Group](#). Webbe grew up employed in his family's construction business, working on job sites from age 15, then as a construction estimator. Ten years ago he created a new development division within Darwin.

"We decided to just focus on one market—the North Shore," Webbe says. "We decided to stick to our own backyard, where I've lived pretty much my whole life. And the only place we'll buy real estate is the North Shore. For now."

That local focus became a handicap when the district elected its current council in 2018. A majority of the new council members were strongly opposed to development and quickly made their feelings known. "After the election it was apparent that the electorate had no appetite for multiunit housing, except for affordable and social housing," current two-term council member Jim Hanson says. But there doesn't seem to be an appetite for supporting below-market housing, either: In the months that followed their election, council members voted down or blocked not only every commercial proposal but also halted nonprofit projects while waiting to redefine what "affordable" meant.

Developers like the Darwin Group have found themselves with large, complex projects that are unlikely to move ahead.

One stalled project is the North Shore Innovation District, which proposed "office, light industrial, employment-supportive housing, educational and recreational facilities, retail, [and] community amenities" as well as 1,100 new rental homes over a 45-acre site. Hanson explains that this project was rejected because of "traffic, environmental degradation in the form of forest devastation, and a general sense by residents of Seymour that the project was out of step with their vision of their local community."

A second project would build 350 units of rental housing for the students and staff of nearby Capilano University, and a third, Maplewood Gardens, would include 58 new below-market rentals for tenants already living on the property.

Rental housing is in especially short supply in the area, and a [2012 Coriolis Consulting report](#) described the majority of older wood-frame rental stock as "being at risk of redevelopment." In the past this has led to "renovictions" of low-income tenants to allow for the demolition and replacement of affordable rental housing with new, more expensive units.

Webbe says his project wants to avoid that. "This project will replace 58 aging existing rental units with new below-market rental units that are going to be developed in partnership with BC Housing. We're phasing it so

that nobody will have to move out or be displaced during the construction.”

For now, Webbe is adopting a wait-and-see approach. “In all honesty, it hasn’t changed our direction or what our vision is for our projects,” he says. “We’re staying the course. The reality is when you’ve got a considerably new council, it’s going to take a bit of time for them to get up to speed with policies that had already been in place for 10 years before they were elected.”

The construction side of Darwin’s business can carry them through the development drought, he says. “From a business perspective, the construction business allows us to be patient and allows us to hold land for a very long time, if we have to.”

But where a commercial developer like Darwin can wait out the council, the nonprofit [Catalyst Community Developments Society](#) faced a larger challenge when the new council stopped a project that was initiated by the previous council. A new nonprofit facility would have built 80 units of below-market rental housing and a seniors’ respite facility on land leased from the district.

“We had about a year and a half of our time invested, and we’d invested several hundred thousand dollars,” Catalyst vice president Robert Brown says. “The society had to absorb that, and the people who fund us had to absorb that. The cancellation caused a major financial problem for our organization, and it took pretty much the whole of 2019 to deal with it.”

Brown understands the realities of municipal zoning and is frustrated that despite working closely with the district in developing the project, it was turned down: “Even though the policies hadn’t changed, the council had. That’s the biggest problem that any developer has, where council doesn’t seem to consistently support policy that’s already in place.”

Brown is unhappy with how Catalyst has been treated: “As a nonprofit, we’re designed to break even. If we run into a situation where things change dramatically, it’s more difficult for us to absorb that than it is for a market developer who’s made significant profits.

“The strangest thing about this is that we went through that process, it got turned down, and we have never received a single phone call or correspondence from anybody at the district to say, ‘Would you like to discuss this? Would you like to revamp the proposal?’” he notes.

In an email, district Mayor Mike Little says: “I always found it strange to have a community service agency as the applicant for a rezoning on public land. The agency wanted to talk about the amazing things they do in the community and could do with the space, but the neighbors have very real concerns about access, egress, heights, massing, and other neighborly impacts. That process always put the neighborhood at odds with what may be a very worthy community service.”

Catalyst has stopped attempting to develop projects in the district and has instead focused on projects in other areas, including the City of North Vancouver.

The Urban Development Institute’s McMullin agrees that many developers are choosing to invest away from the Vancouver region. “Our members build all over North America,” she says. “Many of them have retreated over the last couple of years, both because of the difficulties in some municipalities, but also because of the demand-side measures that the province brought in.” In 2016, in response to what was seen as an out-of-control real estate market, British Columbia implemented a new foreign-buyers tax that imposed an additional property transfer tax of 20% on all residential property purchases by non-Canadian buyers.

“I would honestly say that our builders are some of the most sophisticated in North America, if not the world,” she says. “Cressey Development Group built a lot of those rental units in Seattle. Bosa Development has, essentially, been responsible for redeveloping San Diego. Onni Group is in Los Angeles, Intracorp Projects is in Austin, Texas. We’re in Atlanta, Phoenix, and all over. So, you know, money moves.”

McMullin says they've been meeting with other municipal councils, and she's hopeful. She wants to get the "approval process down to six months or a year rather than five years...Because if we come out of the pandemic, and there's been nothing over the last 18 months, will we have to wait another five years?"

Little defends the council's actions. "It has been affirmed by the courts that new councils are not legally encumbered by the decisions of previous councils," he says.

"We're talking about situations where developers are asking for the public to give them permission to change the zoning of the property," Little says. "There's cost and waste anytime you make a change of direction, and though I have no interest in creating waste for another party in the process, they're going to be the benefactor of the uplift in that property. So it's not unreasonable to assume that they're going to be the ones that hold the risk."

Both Catalyst and Darwin raise concerns about how the council is balancing the needs of the broader community with the NIMBY objections of the local neighborhoods. Mayor Little is clear where he stands: "We want neighborhoods to have a community character and identity. And you don't get that by forcing something into a neighborhood that doesn't fit."

Even though recent court decisions in neighboring [White Rock](#) and [New Westminster](#) have established that a council is entitled to back out of rezoning applications, another challenge to municipal approval practices is coming before the British Columbia Supreme Court. In August 2019, Vancouver's [Beedie Development Group](#) filed a lawsuit against the City of Vancouver asking the court to overturn the rejection of an application to develop property in the heart of Vancouver's Chinatown. The suit alleges that Vancouver's Development Permit Board overstepped its authority when it rejected a scaled-down nine-story development that fit the existing zoning.

The Chinatown property faced intense community and political opposition, but in 2017, a smaller version of the project had been recommended for approval by all the relevant City of Vancouver groups: city staff, the Urban Design Panel, and the Development Permit Advisory Panel. Since Beedie had ensured "compliance with all applicable bylaws, policies, and guidelines" it was expected that the project would be approved by the Development Permit Board.

The Development Permit Board rejected the application, an action that Beedie's court filing states "exceeded its legal authority and breached its duties." If Beedie is successful, the court will rule that municipalities like North Vancouver District can't necessarily refuse a development permit for a project that checks all the boxes.

If that happens, Darwin, Catalyst, and other developers may once again feel welcome to build in the District of North Vancouver.

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