



Corporate Report

NO: L009

COUNCIL DATE: May 17, 2004

REGULAR COUNCIL - LAND USE

TO: Mayor & Council DATE: May 13, 2004
FROM: General Manager, Planning and Development FILE: 7903-0431-00
SUBJECT: Shopping Centre Proposals in the Vicinity of 188 Street and Fraser Highway

RECOMMENDATION

The Planning and Development Department recommends that Council:

1. Receive this Report as information; and
2. Authorize staff to bring forward for Council's consideration at the next Regular Council – Land Use meeting, the Planning Report on the application (No. 7903 0431 00) by Anthem Properties Group for a commercial development at the northeast corner of 188 Street and Fraser Highway.

PURPOSE

The purpose of this report is to provide information on the status of commercial development applications currently in process for lands in the vicinity of the intersection of 188 Street and Fraser Highway, on correspondence that has been received in relation to these applications and on supporting materials submitted by the applicants. A summary of the planning context relevant to each of these applications is also provided.

BACKGROUND

At the Regular Council Meeting on May 4, 2004, Council adopted a resolution under the "Other Competent Business" part of the agenda requesting that staff forward a report to a Regular Council - Land Use meeting on the status of commercial developments in the area of 188 Street and Fraser Highway.

DISCUSSION

Applications

Currently there is a development application for each of three sites that are located at or close to the intersection of 188 Street and Fraser Highway. Appendix I illustrates the location of each of these applications. In each case, the proposed development is a shopping centre with a component of office space. Each of the applications is described in more detail in the following paragraphs:

1. **The Triangle Application:** This proposal, by Triangle Holdings Ltd., is located on land in the northwest corner of the intersection of 188 Street and Fraser Highway. The site is 3.6 hectares (8.9 acres) in area and has a triangular shape. The application was submitted on August 16, 2000 and proposes the development of a shopping centre involving 7,300 square metres (78,100 square feet) of retail commercial floor area, including a supermarket (grocery store) and 930 square metres (10,000 square feet) of office space for a total floor area of 8,200 square metres (88,200 square feet). The application (No. 7900-0226-00) includes an OCP amendment, a General Land Use Plan amendment, a Rezoning, a Development Permit and a Development Variance Permit. The OCP Amendment By-law and the Rezoning By-law received Third Reading on

October 16, 2000. The applicant is actively working on satisfying the conditions necessary for final approval.

2. **The Trademark Application:** This proposal, by Trademark Ventures Ltd., is on the south side of the Fraser Highway about 120 metres (400 feet) west of the 188 Street on the former Hillcrest Drive-in Theatre site. The site is about 2.65 hectares (6.55 acres) in area. This application was submitted on September 15, 2000 and proposes the development of a shopping centre involving 5,500 square metres (59,100 square feet) of retail space, including a supermarket (grocery store) and 600 square metres (6,400 square feet) of office space for a total floor area of 6,100 square metres (65,500 square feet). The application (No. 7900 0245-00) includes an OCP amendment from Urban to Commercial, an NCP amendment from Townhouses/Cluster Residential to Commercial, a rezoning and a Development Permit. The OCP Amendment By-law and the Rezoning By-law received Third Reading on May 28, 2002. The applicant is actively working on satisfying the conditions necessary for final approval.
3. **The Anthem Application:** This proposal, by Anthem Properties Group, is located in the northeast corner of the intersection of 188 Street and the Fraser Highway. The site has an area of approximately 4.5 hectares (11.5 acres). The first phase of the development involves the southerly 3.65 hectares (9 acres) of the site. A future Phase 2 will cover the remaining 0.85 hectares (2.5 acres) of the site. This application, submitted on November 22, 2003, proposes the development of a shopping centre involving 8,500 square metres (92,000 square feet) of retail space, including a supermarket (grocery store) and approximately 700 square metres (7,500 square feet) of office space for a total floor area of 9,200 square metres (99,500 square feet) in the first phase. The future Phase 2 component of the development will include both retail and residential uses, including up to 750 square metres (8,000 square feet) of retail commercial and office floor area and up to 50 dwelling units. The application (No. 7903-0431-00) includes an OCP amendment from Urban to Commercial, an NCP amendment from Neighbourhood Commercial/Special Residential/Business Park to General Commercial, a rezoning and a Development Permit. This application has **not** yet been submitted to Council for consideration. The area being proposed for commercial development is approximately double the area that was designated for commercial development within the East Clayton NCP.

The Planning Context

Neighbourhood Concept Plans

The Triangle Application site falls immediately west of the East Clayton NCP area (i.e., 188 Street is the westerly boundary of the NCP). Council approved this shopping centre project in advance of an NCP being developed for the area within which the site is located. However, the site is within the area covered by the General Land Use Plan for the larger Clayton area, which designated the site for multiple residential development.

The Trademark Application site falls within the North Cloverdale East NCP area. The application involves an amendment to the NCP from "Townhouse/Cluster Residential" to "Commercial". The redesignation of this site was based on the very limited area of land in the North Cloverdale area that was designated for local commercial development.

The Anthem Application site falls within the East Clayton NCP area. The application involves an amendment to the East Clayton NCP from "Neighbourhood Commercial/Special Residential/Business Park" to "General Commercial". The area proposed for commercial development is approximately double the width that is designated for commercial development along 188 Street within the East Clayton NCP. The commercial area is being expanded into the area in the NCP designated for Special Residential and Business Park development.

The East Clayton Plan was designed with small-scale local commercial nodes and mixed use commercial/residential strips at several locations within the NCP area to promote pedestrian activity and discourage the use of automobiles, based on the principles of sustainable development. The NCP also recognized the future development of a commercial village centre at the intersection of 72 Avenue and 188 Street, as was included in the Clayton General Land Use Plan, approved by Council in December 1998. This commercial village centre, being physically central to the entire Clayton area, was planned as a neighbourhood shopping centre to serve the neighbourhoods in the Clayton area. It was anticipated that the majority of this commercial village shopping centre would be developed at the northwest corner of the intersection of 188 Street and 72 Avenue when population growth in the surrounding Clayton neighbourhoods was sufficient to support it.

Before final adoption of the East Clayton NCP, in March, 2003, an amendment was put forward to designate a strip

of land along the east side of 188 Street, north of Fraser Highway, for commercial development. This amendment was intended to provide a complementary commercial/retail strip to respond to the Council-approved shopping centre on the Triangle Application site. (This concept is similar to the commercial/retail strip on the east side of 152 Street that is complementary to the South Pointe Exchange Shopping Centre on the west side of 152 Street in South Surrey.) The Anthem Application is proposing to double the width of this commercially-designated strip on the east side of 188 Street to allow for a relatively larger scale anchor grocery store to be located on this site. The East Clayton NCP did not anticipate larger scale stores on this site.

The Cloverdale Town Centre

The Cloverdale Town Centre is about one and one-half miles from the intersection of Fraser Highway with 188 Street. The Cloverdale Town Centre commercial areas could be grouped into four functional areas:

- the Cloverdale Mall;
- the Clover Square Village;
- the Historic Downtown Cloverdale area; and
- the Highway No. 10 commercial strip.

The combined total commercial floor area in the Town Centre, at present, is about 350,000 square feet.

Of particular interest, is the Historic Downtown Cloverdale area. It stretches about two city blocks in a north-south direction along 176 Street and 176A Street, between 58A Avenue and Highway No. 10. It offers specialty retail goods and services to a distinct market. It relies on its uniqueness to survive the huge drawing power of the nearby Willowbrook Regional Shopping Centre. The Historical Downtown Cloverdale area also relies on the strength of other conventional commercial services provided within the Cloverdale Town Centre area to attract and retain local customers. Additional commercial development and re-development in the Cloverdale Town Centre is necessary to strengthen its position in this highly competitive commercial market.

The Cloverdale Town Centre Plan, adopted by Council in November 2000, identifies several sites within the Town Centre that have the potential for future commercial development and re-development, including the City-owned Cloverdale Mall. The Cloverdale Town Centre Plan was undertaken to support and encourage development in the Town Centre area.

The Willowbrook Regional Shopping Centre

Generally, shopping centres can be grouped into three levels in their hierarchical order. At the bottom of the scale is a neighbourhood shopping centre consisting of a supermarket and some retail stores and services to provide convenient, commercial services to a neighbourhood. A neighbourhood shopping centre is usually about 60,000 to 90,000 square feet in floor (e.g., Ocean Park Shopping Centre at 16 Avenue and 128 Street). At next level is the community shopping centre that is usually intended to serve a number of neighbourhoods. It provides supermarkets, one or two junior department stores and other higher order retail and commercial services not usually provided in a neighbourhood shopping centre. A community shopping centre typically ranges from 150,000 square feet to 300,000 square feet in floor area (e.g., Semiahmoo Centre). The highest order of shopping centre is the regional shopping centre. It contains at least two major department stores and provides the broadest range of goods and services to a very large market area that usually includes several communities or towns (e.g., Guildford Town Centre, Central

City, Willowbrook).

The Cloverdale Town Centre, about two and one-half miles from the Willowbrook Regional Shopping Centre, is positioned as a community shopping centre providing commercial services to the several neighbourhoods of the greater Cloverdale area. However, outflow of consumer spending by Cloverdale residents to the Willowbrook Shopping Centre, seeking higher order services not available locally, is inevitable. The subject sites at the intersection of 188 Street and Fraser Highway are about one and one half miles from Willowbrook (see Appendix XI).

There is a fear that if the subject sites are all approved and indeed built to form a community centre with its combined commercial floor area of over 240,000 square feet, some of the growth and redevelopment potential in the Cloverdale Town Centre would be lost in favour of this newer commercial area.

Information Submitted by Anthem Properties

In the initial discussions before and after application submission, representatives of Anthem Properties and staff agreed that, under the circumstances, it would be appropriate to take their application to Council for consideration of **land use suitability only**, prior to the applicant preparing and submitting detailed design drawings for the related Development Permit. Therefore, the application has **not** been subject to detailed review by planning and engineering staff.

Anthem recognized that two shopping centres have already been approved by Council at this same intersection, but advised that their proposed development at the northeast corner of the intersection would be superior to the other sites in terms of accessibility, site layout and convenient services to the residents in East Clayton. Anthem also advised that the site, not being adjacent to residential developments, would have very few negative land use impacts. Recognizing that both the Trademark Application and the Triangle Application had received Third Reading from Council, related to their rezoning and OCP amendment by-laws, for two and four years respectively, but had not yet moved to the site development stage, Anthem advised that they would be agreeable to a requirement that they commence construction of their proposed shopping centre, if approved, within a certain timeframe or the City could take action to reverse the zoning on the site back to its original zone (see letter from Anthem Properties, dated February 3, 2004, attached as Appendix II). Despite this seemingly attractive proposal, staff has advised Anthem that staff has the following concerns that make it difficult for staff to support the proposal:

1. From a policy perspective, the application requires an amendment to the recently approved East Clayton NCP, which has already been adjusted to expand the commercial area along 188 Street to reflect the Triangle Application. Further amendment to the NCP would make the future commercial village centre at 72 Avenue and 188 Street less viable and generally goes against the principles of sustainable development upon which the East Clayton NCP was based.
2. From a market perspective, there is a concern that there is not sufficient market demand at this time for three shopping centres, each with a supermarket, to be located at the same intersection and a concern that if they are all constructed that such a cluster may act to further dampen interest in development in the Cloverdale Town Centre area.

As a result of staff concerns, the applicant commissioned a market study. Anthem has subsequently submitted the following correspondence and information (please note that other information received by staff conflicts with their information):

1. On March 19, 2004 a Report entitled "Clayton Village Retail Market Assessment", prepared by Hudema Consulting Group Ltd., was received. The two page Executive Summary of this report is attached as Appendix III (the full report, that has 26 pages, is available for review by Council members and the general public, upon request). The following are highlights of the market study:
 - A Primary Trade Area (PTA) covering the East Clayton NCP and a Secondary Trade Area (STA) covering most of the Cloverdale area and the entire future Clayton Community and their vicinity were defined for the Anthem site and the two other proposed shopping centres. The current population within the combined PTA and STA was estimated to be about 30,000, with a 20-year projection being 75,000.
 - The study concluded that there is a strong demand for commercial growth in the trade area. A total commercial demand by 2021 for about 2.5 million square feet of floor area was forecasted. For 2006, a

demand for 1.2 million square feet of total commercial floor area was estimated, including 200,000 square feet of supermarkets (i.e., grocery stores) with a further demand for supermarket space of 160,000 square feet during the 2006 to 2021 time period.

- Subtracting 55,000 square feet related to existing supermarket floor area already in the trade areas, an unmet demand for about 165,000 square feet of supermarket floor area was estimated for 2006. On this basis, the study asserted that the market would support the three commercial projects under application at the 188 Street and Fraser Highway intersection, each containing a supermarket.
 - The study also concluded that the impacts to the existing commercial establishments in the trade areas should be minimal due to the large and growing market and the large amount of retail outflow to Willowbrook in Langley. However, the large amount of retail outflow should be re-captured.
 - The study anticipated that the proposed project would not attract the same retailers as are located in Cloverdale Town Centre. Rather, it would serve a "local community base" as a viable "neighbourhood shopping centre", and not a destination-type trade area.
 - The study also concluded that there will be sufficient market support for the three shopping centres at the intersection of 188 Street and the Fraser Highway in the next two to three years and that after they are constructed, each of these retail centres should be able to attract a proportionate share of future market growth, based upon individual competitive positions.
2. Staff discussed the technical matters of the market study with the consultant and in correspondence dated March 31, 2004, staff advised that a Planning Report on the Anthem Application site could be submitted to Council. The applicant submitted a letter to Mayor and Council dated April 22, 2004 (Appendix IV) that contains a list of potential tenants from which the applicant has either obtained offers to lease or expressions of interest. This letter also outlined the benefits of the project to the Cloverdale/Clayton community and to the City.
 3. A letter from Anthem Properties, dated April 26, 2004, (Appendix V) was received by the Planning Department that requested that the Planning Report to Council be deferred for two weeks.
 4. Anthem Properties subsequently requested that the Planning Report to Council be deferred for an additional two months in order to allow the other retail applicants an opportunity to advance their projects.
 5. A letter dated May 3, 2004 from BFW Developments Ltd. was sent to Mayor and Council, which provides additional information regarding the rationale for the Anthem Application (Appendix VI).

Concerns Expressed by Trademark Property and Triangle Holdings

Late in 2003, representatives of Triangle Holdings Ltd. met with staff to discuss the remaining conditions that needed to be satisfied to allow their project to receive final approval from Council in early 2004. During the meeting, the applicant expressed concern that the Anthem Application has created uncertainty in the market that has resulted in Triangle Holdings Ltd. not being able to secure tenants for their project. Representatives of the Trademark Application expressed similar concerns at the time. The following correspondence and information have been received from Trademark Ventures Ltd. and Triangle Holdings Ltd.:

1. A package was submitted to Mayor and Council on April 26, 2004 containing letters, dated January 26, 2004 and January 28, 2004, from Trademark Property Group and Triangle Holdings, along with a brief market comment from Royal LePage Advisors, advising that the market cannot support three shopping centres at the subject location, that the two approved shopping centres are actively marketing for tenants and that the third shopping centre would create a significant level of over capacity (Appendix VII).
2. A letter was submitted to Mayor and Council on April 28, 2004 from Trademark Ventures Ltd., along with a brief market analysis by Royal LePage Advisors, indicating that the market will not support another shopping centre and that the Anthem Application "is creating an uncertainty for our tenants and prospective tenants making it difficult for us to complete some lease agreements" (Appendix VIII).

3. A letter was submitted to Mayor and Council, dated April 28, 2004, from Triangle Holdings Ltd. that advises they are actively looking for commercial users and tenants, that they have no intention to change the land to a residential use and that they want to proceed with a commercial development on the site (Appendix IX).
4. In a meeting with staff on April 29, 2004, a representative of Trademark Ventures Ltd. advised staff that Trademark Ventures Ltd. would complete the conditions necessary for final approval of their site in June 2004 and intend to commence construction of their shopping centre in the summer of 2004.

Recent Application for Development Permit on the Triangle Application Site

The Area Planning Division received an application from Avondale Developments for a Development Permit on the easterly portion of the Triangle Application site on May 11, 2004 (File No. 7904-0172-00). The attached Appendix X illustrates the site plan for this application that covers an area of approximately 2.5 hectares (6.2 acres) or approximately two-thirds of the Triangle Application site and includes the construction of 7,425 square metres (79,900 square feet) of commercial floor area, including a supermarket with up to 2,800 square metres (30,000 square feet) of floor area. The principal of Avondale Developments, Mr. Gerry Olma, has advised staff in the pre application meeting that he intends to commence construction before the end of the summer of 2004. However, he expressed a serious concern that there will not be sufficient market demand for a third shopping centre in the area and that he may abandon the project if the Anthem application is approved in addition to the two commercial projects already approved by Council for the area.

General Comments

There is some conflicting information from the three applicants, regarding the ability of the market to support all three of the proposed developments. If there is a strong demand for all three shopping centres, all the applicants should have no difficulty in securing tenants for their respective sites. In examining the list of potential tenants submitted by Anthem Properties for their site (see Appendix IV) and based on the information provided to staff by the other applicants, there appears to be a number of potential tenants that are being pursued by more than one of the proponents.

The proponent of the Anthem Properties application has raised the point that the outflow of consumer spending to Willowbrook from the Cloverdale-Clayton area should be re captured in Cloverdale. However, staff is of the view that, due to the hierarchical nature of shopping behaviour, outflow to Willowbrook from nearby Surrey residents seeking higher order commercial services will be difficult to stop. Convenient neighbourhood-oriented commercial services offered by neighbourhood level shopping centres will assist, to some extent, in encouraging Surrey residents to shop locally.

Staff is of the view that, as the Clayton area of Surrey continues to develop, there will be additional demand for neighbourhood/community level commercial development/centres beyond the two applications that have already received Third Reading (i.e. the Trademark site and the Triangle site). However, it was planned that such an additional neighbourhood shopping centre would be located more centrally to the Clayton area in accordance with the Clayton General Land Use Plan, at or near 188 Street and 72 Avenue, in accordance with the sustainable development principles and when local demand warranted such development.

Council has instructed staff to take such actions as are appropriate to increase business development in the City (i.e., Council's economic development thrust). As such, staff take very seriously any application involving business development such as the Anthem application. However, it is important that such business development occur in a manner that supports the overall business climate in the City and does not simply displace similar business development at another location.

CONCLUSION

As requested by Council, this report provides background information about, and the current status of three shopping centre proposals at the intersection of 188 Street and Fraser Highway. In-depth review and analysis related to the Anthem Application will be provided in a Planning Report to Council that will be submitted to a Regular Council – Land Use Meeting, in accordance with the City's normal development review and approval process. The Planning Report on the Anthem Properties application will be ready for the next Regular Council – Land Use Meeting. It is recommended that Council authorize staff to bring forward the Planning Report on the Anthem Application

(No. 7903-0431-00) to the next Regular Council – Land Use Meeting on June 7, 2004.

Murray Dinwoodie
General Manager
Planning and Development

HYL/JR/saw

Attachments

- Appendix I Site Layout
- Appendix II Letter from Anthem Properties dated February 3, 2004
- Appendix III Executive Summary of Market Study by Hudema Consulting Group Ltd.
- Appendix IV Letter from Anthem Properties dated April 22, 2004
- Appendix V Letter from Anthem Properties dated April 26, 2004
- Appendix VI Letter from BFW dated May 3, 2004
- Appendix VII Package of letters dated January 26 and 28, 2004 from Trademark and Triangle
- Appendix VIII Letter from Trademark Property dated April 28, 2004
- Appendix IX Letter from Triangle Holdings dated April 28, 2004
- Appendix X Site Plan (Application No. 7904-0172-00)
- Appendix XI Regional Context Map

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Appendix I

Appendix II







Appendix IV





Appendix V



Appendix VI





























Appendix IX



Appendix X



Appendix XI

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