

ATTACHMENT F LETTER OF RATIONALE

BILL MCKAY & ASSOCIATES

DATE: 2020-APRIL 27, 2020

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RE: CONCURRENT OCP AMENDMENT AND REZONING APPLICATION

3679 SHENTON ROAD, NANAIMO, BC

PURPOSE:

The purpose of this report is to provide the applicants rationale for requesting both an OCP Amendment and Rezoning of property located at 3679 Shenton Road, Nanaimo, BC. The property legal address is: LOT 2, SECTION 3, WELLINGTON DISTRICT, PLAN 13166

PROPOSAL:

The owners of the property, Western LL Holding Ltd. of Nanaimo, propose to redevelop the property by building a 72-room boutique hotel to replace the existing unoccupied home. In order to build a hotel the property requires both an OCP Amendment to change the current designation from **Light Industrial** to **Corridor** and a rezoning of the property from **Residential (R1)** to **Residential Corridor (COR1)** to permit the intended use.

BACKGROUND:

The owners, Western LL Holding Ltd. purchased the property in 2019 with the intent of building a hotel of undetermined size, but economically viable and sustainable.

Fig. 1 – General City Location



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SUBJECT PROPERTY:

Current Zone	Single Dwelling Residential (R1)
Proposed Zone	Residential Corridor (COR1)
OCP Designation	Light Industrial
Proposed OCP Designation	Corridor
Existing Lot Size	4978 sq.mtrs.
Net Building Site Size	1821 sq.mtrs. (estimated)

DISCUSSION:***Site and Surrounding Area***

The subject property is located on the north side of Diver Lake and accessed from Shenton Road which runs parallel to the E&N Railway tracks to the north and Highway 19A (Island Highway) north of that. The surrounding area has a varied number of uses including light industrial to the east and housing across the Island Highway. The Country Club Mall is also located to the northeast of the property with a number of commercial properties to the west. Shenton Road, according to the Transportation Master Plan, is considered to be a “Minor Collector Road” which connects to “Major Collector Roads”.

The parcel contains a single family dwelling which will be removed and a significant marsh lakefront which will remain in much of its current state, save and except a potential trailway within the riparian setback, as envisioned by Parks and Recreation City of Nanaimo.



Fig 2. Location 3679 Shenton Road

Official Community Plan and Zoning History

The subject property is located adjacent to Corridor designation within the Official Community Plan and is included within the Light Industrial properties heading southeast along Shenton Road. The properties to the west, from 3701 to 3801, include zoning designations of **Residential Corridor (COR1)** and **Mixed Use Corridor (COR2)**.

There is much history with respect to the cluster of properties from 3679 to 3801 both in their zoning, but also OCP Designations. An organic re-organization has taken place very successfully to what is present today. Highlights include:

planNanaimo 1996

Properties from 3679 to 3801 were all classified as **“Neighbourhood”**.

- 1) **2003** – 3701 and 3711 – Designation change from **“Neighbourhood”** to **“Neighbourhood with office use”**
- 2) **2005** – 3721 – Application made to change designation from **“Neighbourhood”** to **“Neighbourhood with office use”**
- 3) **2005** – **3679**, 3721, 3767, and 3789 – Under a staff initiated amendment, all were changed from **“Neighbourhood”** to **“Neighbourhood with office use”**

As OCP Designations were being altered, individual properties were also undergoing re-zoning, predominantly to C15, as we understand, to allow for their **“office use”**.

Plan Nanaimo 2008

As a result of the introduction of planNanaimo 2008, the properties from 3679 to 3801 were re-designated from **“Neighbourhood”** to **“Light Industrial”**. The property at 3851 (Steve Marshall Ford) remained as **“Neighbourhood”**.

Based on what had become a very successful, organically created, professional office cluster, staff initiated a re-designation of properties along Shenton Road. The purpose was to **“more clearly define the actual use of properties in the 3,000 block Shenton to reflect current uses.”**

2012 Official Community Plan Amendments

- 1) 3851 – Changed from **“Neighbourhood”** to **“Corridor”** (Steve Marshall Ford)
- 2) 3701 – 3801 – Changed from **“Light Industrial”** to **“Corridor”**
- 3) **3679** – **Remained as “Light Industrial”**

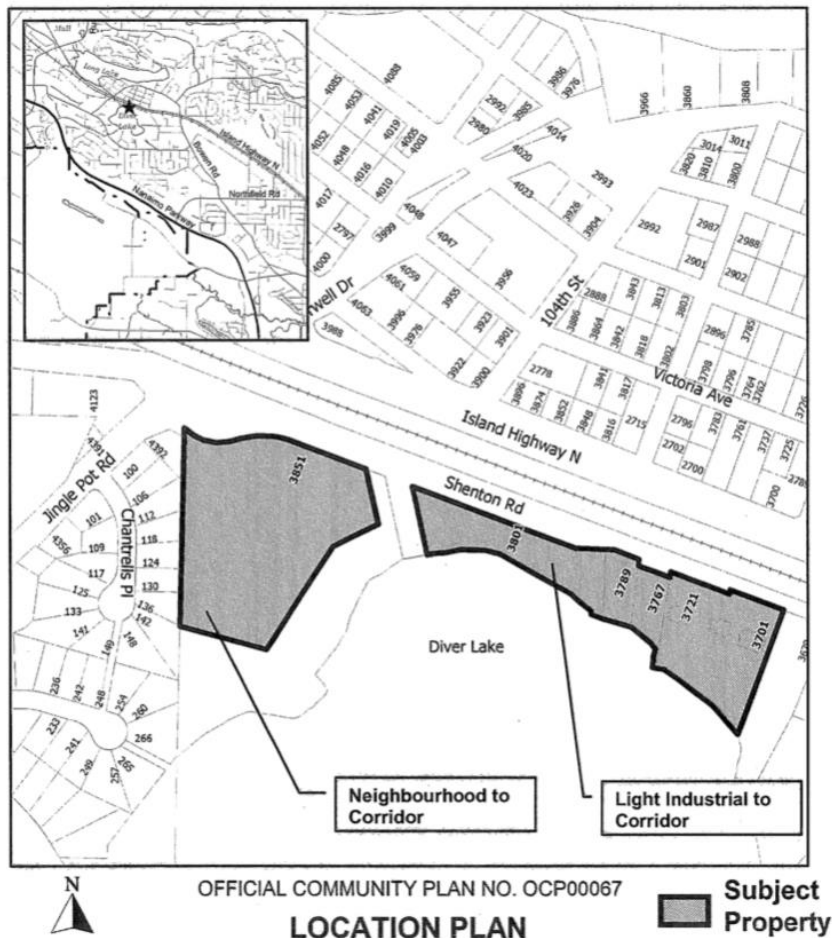


Fig. 3 - Future Land Use Plan – 2012 – Light Industrial to Corridor

2015 Rezoning 3789 and 3801 Shenton Road

Continuing with the evolution of the nature of development in the 3000 block Shenton Road, Council approved the rezoning of 3789 and 3801 Shenton Road in 2016, from **Single Dwelling Residential (R1)** to **Mixed Use Corridor (COR2)** in order to permit a mixed use development consisting of multiple-family residential and commercial office space.

The project approved includes two separate buildings, the first being a mixed use office building with 95m/sq office space and 14 residential units above for a total of five floors. The second building approved is four floors of commercial office space.

Rationale for Current OCP Amendment and Rezoning Application

Corridors are described in the OCP as “urban arterials and major collector roads that bisect Nanaimo, and are the linear focal areas for higher levels of residential densities, services and amenities. While these corridors were originally intended to expedite vehicle travel through the

city, *plan Nanaimo supports a broader approach where the corridors evolve with new multiple uses.*

"It is intended that each Corridor will build on the unique characteristics of the surrounding Urban Nodes and Neighbourhoods, and will contain an individual mix of uses and services."

3679 Shenton Road

The site is just over 1.1 acre (4978 sq.meters) in size with fronting onto Shenton Road and backing onto Diver Lake. The properties from 3679 to 3851 have always been considered to be environmentally sensitive with, in some instances, considerable important natural brush and vegetation. While others had considered the site particularly for office use in the past, the proposals did not proceed any further due to both the 15 metre setback consideration, coupled with a provision to provide realignment of the sidewalk and roadway and the number of significant trees currently on the property. In discussion with previous proponents who have considered this site for development, another major concern was with respect to parking. The site not did provide enough area to assemble the required amount of spaces needed for an office or medical office configuration. Those development options were dropped.

The current applicant looked at a number of properties within Nanaimo to build a small to medium sized hotel, but was unable to find suitable properties in a desirable tourist setting and reasonably priced parking capabilities. We have seen in Nanaimo the difficulty with a number of hotels not being able to accommodate parking on their properties either due to size limitations or geotechnical issues. (eg. 100 Gordon Street and 15 Front Street). This property did not appear to be so restricted; however, considerable innovation would be required to stay within the net 'buildable' area of the property. Other considerations for determining effective building size included:

- 1) land dedication on the Shenton Road face for sidewalks and street widening.
- 2) 15 metre riparian setback from the lake's edge.
- 3) City's desire to build a trailway along the north side of Diver Lake.
- 4) current sanitary sewer right of way which dissects the property at about halfway from the natural boundary to the west and the setback from Shenton Road.
- 5) Minimal significant tree removal.

With all impediments considered, the buildable area of the parent lot, without taking into consideration the requirement of tree retention, is approximately 0.45 acres or approximately 1821.0 sq/meters, which represents 41% of the total parent parcel area.

Nanaimo Transportation Master Plan Consideration

The subject property is located within the 600m buffer area of the Country Club Mobility Hub. The property is centrally located and with access to transit, however, most residents within the Country Club neighbourhoods are most likely to use automobiles for conducting their business and leisure travel.

The E & N Trail is located north of the property as is the E & N Railway and the Island Highway (Hwy 19A). In addition, a railway connects Shenton Road, Labieux Road, and Ardoon Place is located to the west of the property and adjacent properties.

The City has secured right of ways for a continuation of the nature trail along the north side of the lake from the above noted nature trail, to the east, almost concluding at Kenworth Road. The applicant is aware of the City's desire to extend this trail and is willing to work with both Parks and Recreation and City Planning department to ensure proper connectivity across 3679 to accommodate the nature trail right of way.



Fig. 5 - Transportation Master Plan

Proposed Development

As stated, the applicant proposes to seek a change in the OCP from **“Light Industrial”** to **“Corridor”** and rezone the property from **“Residential (R1)”** to **“Residential Corridor (COR1)”** in order to permit the construction of a 72-unit hotel. The hotel will be built on both foundation and columns and will be three stories.

The applicant has worked very hard to ensure no development variance permits will be required. All 72 parking spaces will be provided in either surface or under building configuration. The building height has been restricted to the allowable for the proposed zone. Tree removal is being kept to a minimum. The applicant has been advised that both existing water and sewer are capable of handling the development (See Civil Report Herold Engineering). Surface runoff will be treated and dealt with by both ground absorption and slow release into the local environment (through a rainwater garden system).

Hotel Motel Revitalization Tax Exemption Program (HMRTE)

The City introduced Bylaw 7143 in 2011 to “*encourage the development and redevelopment of hotels to improve the inventory of quality rooms available.*”

At the meeting of January 23, 2012, Council was asked to consider and approved unanimously, third reading of the Revitalization Tax Exemption Bylaw. The Bylaw was then adopted on February 27, 2012. The body of the recommendations to Council for their consideration is extremely important to note.

The original bylaw was given first, second and third reading on October 31, 2011.

The bylaw as originally proposed reads as follows:

“WHEREAS Council may, by bylaw, establish a revitalization tax exemption program;

*AND WHEREAS Council wishes to establish a revitalization tax exemption program in the City of Nanaimo in order **to encourage the development and redevelopment of hotels and motels to improve upon the inventory of quality rooms available to the travelling public;***

AND WHEREAS Council has the following objectives for the program established by this bylaw:

- **To encourage new hotel and motel investment in the City of Nanaimo;**
- **To promote a higher standard of overnight accommodations and enrich the visitor’s Experience while staying in the City of Nanaimo; and**
- **To generally reinforce the City’s commitment to the long term development of the tourism Industry in Nanaimo”**

City Rationale to develop Bylaw 7143

When the City first proposed the Vancouver Island Conference Centre (VICC) it had done so with the notion that Marriott Hotels would build a hotel at 100 Gordon Street immediately behind the Conference Centre. The Hotel proposed would be in the magnitude of 240 rooms and presumably, the Conference Centre would always receive preference for hotel rooms to accommodate attendees. The hotel was intended to directly connect to the Conference Centre via an overhead walkway.

The VICC has a capacity for up to 1,300 delegates depending on floor space provided, however, at normal occupancy levels within Nanaimo, the number of rooms actually available is determined by ‘residual rooms’. If a conference was being held with 1,000 out of town guests

the City would require, based on an existing occupancy of 66%, 3,000 total available rooms. The residual rooms (1,000) could accommodate guests within a 15 minute drive from the Conference Centre. Contained in the CBRE study of 2016, the report listed 9 hotels within a 15 minute drive that they considered to be primary competitive hotels to a proposed hotel at 100 Gordon Street. They included:

Coast Bastion Inn	179 Rooms
Howard Johnson Harbourside	100 Rooms
Travelodge Nanaimo	76 Rooms
Days Inn Harbourview	79 Rooms
Inn on Long Lake	62 Rooms
Best Western Dorchester	70 Rooms
Ramada	65 Rooms
The Grand Hotel	72 Rooms
Best Western Northgate	<u>72 Rooms</u>
Total	<u>775 Rooms</u>

Assuming an occupancy rate of 66% in the 9 listed properties, this would provide 258 rooms available to the Conference Centre for convention attendees.

In 2018, the Howard Johnson Hotel closed, leaving the updated number of rooms at 675. Using the 66% occupancy calculation, this would equate to 225 available rooms within the 8 hotels available to convention delegates.

Proposed Hotels in Nanaimo – 2008 to present

There were a number of new hotel projects proposed and considered in Nanaimo between 2008 and the present day. They include:

Marriott Hotel – 100 Gordon Street	240 Rooms	STATUS: Did not proceed
SSS Manhao Hotel – 100 Gordon Street	240 Rooms	STATUS: Did not proceed
Hilton Hotel – 10 Front Street	303 Rooms	STATUS: Did not proceed
Boutique Hotel – 15 Front Street	92 Rooms	STATUS: On Hold
Howard Johnson – 1 Terminal Avenue	160 Rooms	STATUS: Did not proceed

Quality Inn – 440 Selby Street 345 Rooms STATUS: Due to open May, 2020

Marriott Courtyard* – 100 Gordon Street 172 Rooms STATUS: Under construction

*The original proposal by PEG Developments for the purchase of 100 Gordon Street from the City of Nanaimo was 118 rooms. After conducting their due diligence, PEG increased the number of rooms to 155 and subsequently to 172. They state their research had indicated a much higher market demand than originally contemplated, therefore the hotel room numbers increased by 46% to accommodate the greater demand.

The total capacity of the projects proposed in Nanaimo from 2008 to present was 838 rooms. The actual number of hotel rooms proceeding to date is 217 or 25.89% of proposed rooms. Of the 217 rooms, taking into account the closure of the Howard Johnson Hotel in 2018, **the net total of new rooms is 117.**

Current projects that appear to be proceeding:

- | | |
|----------------------|-----------|
| 1) 100 Gordon Street | 172 Rooms |
| 2) 440 Selby Street | 45 Rooms |

Less:

- | | |
|-------------------------|------------------|
| 1) Howard Johnson Hotel | <u>100 Rooms</u> |
|-------------------------|------------------|

Net under construction	117 Rooms
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Plus:

- | | |
|----------------------------|-----------------|
| 1) Proposed Diver Lake Inn | <u>72 Rooms</u> |
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Total	<u>189 Rooms +62%</u>
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Conclusion

The applicants believe the addition of a 72 room hotel at 3679 Shenton Road will meet the following City of Nanaimo objectives:

- 1) Supply new hotel investment in the City of Nanaimo
- 2) Provide a higher standard of overnight accommodation of overnight accommodations and enrich the visitor's experience while staying in the City of Nanaimo; and
- 3) Reinforce the City's commitment to the long term development of the tourism industry in Nanaimo
- 4) Located within eight minutes of both the Downtown core and shopping and restaurants to the north
- 5) Adjacent to beautiful Diver Lake, a much desired amenity for both tourists and business travel

- 6) Access to close by commercial centre
- 7) A four minute drive to the Inland Island Highway
- 8) Add 72 new rooms to further achieve the objectives of the Hotel Revitalization Bylaw

The applicant respectfully requests the City of Nanaimo's consideration of these OCP Amendment and Rezoning Applications. We believe the OCP Amendment and Re-zoning follows the intent of the OCP and Bylaw 4500.

Attachments:

- 1) Site Plan
- 2) Parking Plan
- 3) Shenton Road Looking West
- 4) View from Highway
- 5) Shenton Road Looking East