



Nanaimo Old City Association
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November 8, 2017

388 Machleary Street
(also known as Malaspina Gardens and the “Old Nanaimo Hospital”)

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Mr. Dak Molnar – dakmolnar@gmail.com
Mr. Greg Persanyi - Greg@molnargroup.com
The Molnar Group
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Dear Mr. Molnar, Mr. Molnar and Mr. Persanyi,

The Nanaimo Old City Association (NOCA) is writing to follow-up on the “Community Talk / Preliminary Proposal” hosted by the Molnar Group on October 17, 2017 regarding 388 Machleary Street, Nanaimo.

NOCA is an active neighbourhood association and has a keen interest in the development of this property. This letter outlines our views, concerns, and comments on the proposed development of this site, as presented by the Molnar Group at the above mentioned meeting.

In summary, our comments are:

- The scale of the proposed development is far too large and inconsistent with the Official Community Plan (OCP), the Neighbourhood Plan, and the zoning;
- The 100% rental tenure that is proposed is unsupportable and will have poor social outcomes long term;
- The proposed layout of the site will cause major traffic problems, block views and be inconsistent with all public policies and community desires for the neighbourhood character and function; and
- Moving forward, an approach that honors existing visions and plans, and includes a respectful working process with the neighbourhood is critical.

On May 15th NOCA held a Community Workshop on the future of this property. Our *Report on the Outcomes of the Community Workshop* was released in July 2017 and we understand that the Molnar Group has a copy. This report, along with the *Old City Neighbourhood Concept Plan* and NOCA’s future engagements with local residents, is the foundation on which NOCA’s comments are based and will guide the association’s engagement with the City of Nanaimo and the future owner of 388 Machleary St.

NOCA acknowledges the Molnar Group’s efforts to organize a meeting that begins the conversation with local residents and is looking forward to continued engagement with the Molnar Group and the City of Nanaimo with the goal of achieving an outcome that considers the concerns of local residents and the integrity of the Old City.

The following explores NOCA's comments in more detail.

Nanaimo's *Official Community Plan* and *Old City Neighbourhood Concept Plan* and Zoning

There are three levels of planning and bylaws in place that govern the use of this site, all created with significant community engagement.

The first is the Official Community Plan (OCP). Nanaimo's *Official Community Plan* "... provides direction related to elements such as the location and type of residential, commercial and industrial development..." (p. 2). The 388 Machleary site is firmly in the "Neighbourhood" classification in the OCP. The first policy in "Neighbourhood" areas in the OCP expressly states that new development must maintain a physical character that is in harmony with the existing neighbourhood of single family homes. While housing diversity is also encouraged, that policy also requires that it maintain the existing surrounding character. Density limits of 10-50 units per hectare are established. Higher density residential is limited and only possibly supported immediately adjacent to commercial centres.

In order to change the OCP classification of this site to something that would support what the Molnar Group has proposed, it would need to be reclassified as a Corridor or an Urban Node – both of which are significantly different than the "Neighbourhood" areas.

Recent Molnar Group projects have been near or along Terminal Avenue and Bowen Road corridors and as such, the significant density associated with these is more appropriate within the community plan. 388 Machleary Street is in a completely different community context – far away from the Fitzwilliam Street corridor and in the middle of the oldest heritage neighbourhood in the city. To change this site to "Corridor" status would be a significant change not only to this site, but to the surrounding area as well, based on the OCP precedent it would set, as neither Corridors nor Urban Nodes are appropriate as isolated spots.

Any changes to these core community policies also require consultation and support from the local community associations. "The Plan Nanaimo Advisory Committee [now called the Community Planning and Development Committee] will consult and involve neighbourhoods who may be affected by OCP changes." (p 123). NOCA will be a part of this process should this application proceed.

The next layer of planning and regulation that applies is the *Old City Neighbourhood Concept Plan*. Key concepts noted in the *Old City Neighbourhood Concept Plan* include:

- ***Ensuring that new design is sensitive to the scale and character of the neighbourhood*** (emphasis added) are principles that guide the residential component of the Concept. (p 5)
- ***Established areas of single family residential development are preserved*** (emphasis added) and the Concept works to preserve architecturally and / or historically significant older homes. (p 5)
- Higher density multi-family uses are provided for in this Concept ***in locations which minimize impacts on view corridors, and are located adjacent to major roads*** (emphasis added). (p 5)
- Planning Goals
 - Preservation of public view corridors.
 - Preservation of the heritage character of the neighbourhood.
 - Maintenance of the pedestrian orientation – in terms of form, character, and scale of development.
 - Provisions of compatible adjacent land uses. (p 7)

- Building Height
 - Limit new multi-family and commercial building heights *to a maximum of three storeys in order to maintain public ocean views and keep new buildings in scale with historic development* (emphases added). (p 11)

The third layer of regulation that applies to this site is the zoning. In Nanaimo's zoning bylaw, 388 Machleary Street is zoned as CS-1, Community Service 1. This zone provides solely for public-orientated uses designated to serve the community (i.e. academic school, seniors' congregate housing, etc).

Should a rezoning take place on this site, the contextual zoning will be highly influential, in the context of the OCP and Neighbourhood Plan's clear statements about maintaining the neighbourhood heritage quality and character of the area. The area in the immediate vicinity, bordered by Fitzwilliam, Pine, Albert, and Milton streets (*in which 388 Machleary Street is roughly in the middle*), is zoned predominantly R-13 Single Family / Duplex, with a narrow swath zoned R-14 Low Density (Fourplex) Residential along Milton Street. These zoning designations are an important reference point as the future of this property is considered.

Increased density has been added in these adjacent zones in a number of locations in a manner that has been appreciated by the community, particularly the 7 unit complex at 446 Milton Street. The Newport condominium development at 500 Stewart Avenue is also offered as a good example of appropriate densification that might be more in keeping with the neighbourhood's vision.

Neighbourhood Perspectives on the 388 Machleary Site

NOCA and the thousands of residents that they represent in this neighbourhood, recognize the important opportunity that this site represents for the community. The neighbourhood is a complex and diverse neighbourhood, with homes ranging from very low cost to highly desirable renovated heritage homes. The neighbourhood appreciates and wants to maintain this diversity, it values the area's heritage character, but it is also open to changes that this project can offer. NOCA is furthermore realistic and pragmatic about the realities of development in Nanaimo today and its changes as the community and the market continue to evolve.

This neighbourhood is widely understood to be a unique neighbourhood – unlike any other in the city. This is the “Old City” and it houses a significant proportion of the older homes with historical character in the city dating from the 1880s to the early 1960s. The majority of the rest of the city was built in the post-war era, especially since the 1970s. As such, the neighbourhood character of the Old City is of utmost importance to the entire municipality, and the neighbourhood's residents both value it and feel a sense of stewardship toward its conservation.

Beyond the extensive time that neighbourhood members have spent crafting the vision in the OCP and Neighbourhood Plan for this neighbourhood in past years, NOCA has also spent time this year, in advance of any new development proposals for this site, working with professionals who are experienced in planning and development, to explore opportunities unique to this site. This process was done through workshops and the crafting of a report that was submitted to Chartwell, and that the Molnar Group has indicated they have reviewed.

The Molnar Group's proposal as shown on October 17, 2017

Your proposal at the October 17th community meeting included:

- Four large rectangular buildings – one on each quadrant of the site;

- Four storey heights for each building with no variations in massing, height or form;
- A traffic pattern that used the existing laneway between Kennedy and Machleary streets to access internal parking;
- 177 units of 100% rental tenure (with an associated argument that there is no market for the purchase of multi-family residential units in the area);
- Some rudimentary landscaping around the perimeter of the four buildings, including the proposed preservation of at least one of the existing older trees on the site;
- A proposed view corridor in the middle of the site - that confusingly showed a proposed view thru the solidity of the mass of two of the four storey buildings along Kennedy Street;
- No proposed amenities for the community; and
- An image board showing other buildings of contemporary arts and crafts character as inspiration for future building form.

NOCA's Responses to the Molnar Group's October 17 Preliminary Proposal

With the background of proactive and open-minded work done by NOCA noted above, we offer the following comments on what was proposed by the Molnar Group in its October public meeting.

General changes

- The first point of comment is around the planning and approvals process related to the proposed changes. While most residents in the 300 & 400 blocks of Machleary and Kennedy streets understand that residential development at 388 Machleary Street will require zoning changes (and they are open to some changes), any proposed changes must fit the spirit of the OCP and the Neighbourhood Plan, be respectful of the unique character of the neighbourhood, and involve the community directly and meaningfully in forming the new vision for the site.
- Meaningful engagement will require significantly more time and effort than a conventional public information meeting and public hearing model of application and approvals.

Land Use

The second point of comment is around the proposed land use and tenure changes:

- The change from "Community Service Uses" to residential is not specifically opposed.
- The tenure of the proposed residential however, must be mixed – to include ownership and not just rental.
 - While the number of units was not noted on any of the displays, it is NOCA's understanding, based on communications with the Molnar Group, that it proposes to build 177 units on this property.
 - There are an average of approximately 20 homes/block on the 300 /400 blocks of Machleary and Kennedy streets. The preliminary design proposes to place the equivalent of nine blocks of dwellings into a space of less than one block – or a significant majority of the central area of this entire neighbourhood.
 - While this is a significant increase in density, the major problem with this proposal is that it suggests it will all be of one tenure (rental). The introduction of 177 rental units, of which 90% will be 1-2 bedrooms, is a massive change to the social structure and character of this neighbourhood. Housing diversity is always good and would be welcomed, but the scale of change in a single project is unnecessarily disruptive.
 - The creation of a single type and tenure of units in this neighbourhood will have significant challenges over time as these buildings age. In 30-40 years, these will be older, less desirable units and as they continue to age, the social dynamic in the

neighbourhood will become lopsided and not balanced and diverse as is desirable. A more mixed and diverse community ages much better than less diverse ones do.

- The proposal that these units will be owned by the Molnar Group (as promised in the meeting) suggests they would take care of them over time, however they can sell them at any time to a less scrupulous landlord, especially when they get older and cannot command premium rents.
- The Molnar team showed data at the meeting of the very low vacancy rate that rental has in the city right now – around 1.5%. They also argued that there is no demand for condos or multi-family in the market, based on the experiences in the past 20 years of Cameron Island and the Pacifica. These assumptions need to be challenged.
 - The Cameron Island and Pacifica projects were “big city models” of condo development and brought hundreds of units into the much smaller Nanaimo market at the same time, when one could buy a single-family home and lot nearby for a lower price than many of the new condos. The cost differential is less today, but still exists. The assumption that an overbuilt project in a past market is the same as today’s market in Nanaimo is erroneous. A series of smaller scale condo projects on this site would likely do much better in the market.
 - CMHC predicts that the vacancy rate for rental will change significantly in the next 3-4 years in Nanaimo, increasing from 1.5% today, by nearly 70%, to around 2.5%. While this still represents a high demand for rental, it is much more balanced than at present. This reality suggests that the City should be circumspect about simply approving massive rental projects in order to respond to a perceived social need for rental housing. The market is already responding in a robust way to meet this demand, and as such, public policy intervention that trades off other important public values is unwarranted.
 - The Vancouver Island Real Estate Board’s (VIREB) and Canada Mortgage Hosing Corporation’s (CMHC) predictions also show strong demand for ground oriented multi-family in the next several years as well. (see Appendix)
 - This site is unique in that it supports all the desires that urban multi-family buyers want (based on studies across North America), including views, neighbourhood character, walkability, close to shops and restaurants, close to transit, relatively close to a university, and many others. As such, this site will have a much higher demand for multi-family, including condos, than other areas of the city or region.
- NOCA believes that a pure rental tenure of this scale is unwarranted, unsupported by the current and future real estate market, and will be disruptive to the social fabric of this unique neighbourhood. Some rental would likely be supported by the community, but 100% is not supportable.

Structural Layout and Traffic

The third point of comment relates to the proposed layout of the site and how traffic and parking are managed:

- The laneway between Kennedy and Machleary streets is of critical importance to the homes that back onto it from both streets. Street parking is often either limited or non-existent, and is shared by parking intensive uses such as the nearby church. As such, the lane is used heavily by the local residents to access parking in their homes. In addition, the lane is only 3m wide, significantly less than current standards and it is therefore already challenging for the current traffic load, especially for any larger vehicles. The introduction of any new traffic, let alone from hundreds of new units’ worth of traffic into this laneway is not possible. As such, the proposed use of this laneway as a connected access way for the new project is not supportable.

- Pending a formal traffic study, a unit typically generates at least one return vehicle trip per day (e.g. commuting). As such, a proposed development of 177 units will generate likely in the realm of 150 trips per day in the morning and again in the afternoon/evening, into local neighbourhood streets. In order to disseminate the traffic, access points need to be provided from all three adjacent streets – Kennedy, Franklin and Machleary. Under the current four-building proposal, the logical location for these entrances would be in the centre of the site – off all three streets.
- While the site's location in the Old City may suggest a higher walking, cycling and transit usership, the proposed higher end rents that the Molnar Group has suggested they are targeting will inevitably involve a reasonable amount of vehicle ownership. It will be important that any new project of any scale provide sufficient parking "on-site", and in a higher density proposal, the significant majority would need to be underground.

Massing, Heights, Setbacks and Views

The fourth point of comment relates to how the proposed buildings are massed and positioned on the site, and how heights and views are managed:

- Heights in the middle of the site have little impact on the surrounding neighbourhood, and as such, can be higher with little negative impact. However, the heights of buildings along the surrounding streets are of critical importance. The current neighbourhood plans advocate for maintenance of the existing character and this means that the street-edge of any buildings should be no higher than 2-2.5 storeys.
- Setbacks should be provided for any storeys above this level.
- The buildings proposed were monolithic in their massing. The massing should be more diverse to better reflect the granular character of the surrounding heritage homes along the streetscape.
- The ground floors of the buildings should also include private unit entries from the street rather than one central entrance to the building, in order to maintain the pattern of homes and front yards in the area.
- The building should be setback from the street a similar distance from other homes in the area, again to maintain the area's streetscape character.
- The above points suggest that a lower density street edge form be pursued – such as single family, duplex, ground-oriented multi-family and townhouse forms.

Form and Character

The final point of comment relates to the form and character of the proposed buildings and landscapes:

- The form of the buildings needs to be "arts and crafts" inspired – to fit with the historical neighbourhood. The images offered by the Molnar Group for reference showed a character that would possibly be appropriate to the neighbourhood, depending on their specific expression in the buildings.
- Large covered private entrances for the ground floor units (e.g. townhouse-like) should be installed along the street edges – again to reflect the residential character of those streets.
- Storage space needs to be created for occupants to ensure personal possessions (particularly recreational) are properly stored and do not clutter the exterior appearance of the buildings.

In conclusion, NOCA feels that this development site is a great opportunity for all parties, but that the development must fit its context and the historic character of the neighbourhood as articulated in this letter and NOCA's *Report on the Outcomes of the Community Workshop* of July, 2017.

NOCA is looking forward to engaging with the Molnar Group, local residents, the City of Nanaimo, and other stakeholders, with the goal of achieving an outcome that benefits all parties and enhances the quality and character of the Old City.



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See next page for Addendum

Addendum to 388 Machleary Street

What Does the Data Tell Us?

1. The *Canada Mortgage and Housing Corporation's Fall 2017 Report* states:

- BC's employment is up 10% since last year – and unemployment rate is very low (3.6%) (p.6). This means that we'll have many new people coming into the market who will want to buy – increasing demand for all types. The current sales pace is slowing because of low inventory – further putting pressure upward on prices.
- Good increases in housing starts – underway and predicted for upcoming years.
- The rental vacancy rate is very low right now at 1.5% - but that is expected to go up into the "2s" – which is still quite tight but the forecast ahead isn't as lucrative for rental as the current numbers would suggest (e.g. about 25% decline in rental demand of the next few years). (p 9)
- The predicted multi-family housing starts (which includes rental) are predicted to be strong – indicating that many other developers see a good demand for condos.

Source: https://www.cmhc-schl.gc.ca/odpub/esub/65442/65442_2017_Q04.pdf

2. The *September 2017 Report* of the Vancouver Island Real Estate Board's (VIREB) President, Janice Stromar, states that the VIREB area has been a sellers' market for several months now. "With a sales-to-active-listings ratio of around 32 per cent, the VIREB market is firmly in sellers' territory... A housing market is characterized as favouring sellers when the ratio of home sales to active listings is above 20 per cent, while a balanced market is between 14 and 20 per cent." Stromar added that multiple offers are still occurring regularly, *even on condominiums* (emphasis added), townhouses, and mobile homes, which is unusual for the VIREB area."

The statistics also show a 100% increase in prices over the past 5 years for condos.

Source: http://www.vireb.com/assets/uploads/09sep_17_vireb_stats_package_64292.pdf