Colliers Strategy & Consulting Group
200 Granville Street, 19th Floor Vancouver BC V6C 2R6 Canada
Main: +1 604 661 0857

Memorandum

To: Lisa Bhopalsingh, Lisa Brinkman, Kasia Beigun
City of Nanaimo Reimagine Team

From: Gordon Easton – Vice President, Colliers Strategy & Consulting Group
Russell Whitehead – Senior Vice President, Colliers Strategy & Consulting Group

Date: 25 April 2022

Subject: City of Nanaimo OCP – Review of Land Use Designations

Colliers Strategy & Consulting Group (Colliers) understands that the City of Nanaimo is seeking a review of the draft land use designations that have been created for the City's Official Community Plan. The purpose of this review is to provide the City with a clear understanding of how the updated land use designations and policies in the draft City Plan align with current and projected market trends and to ensure they will encourage the desired forms of development. Several considerations are highlighted within this memorandum, including:

- Despite a slightly lower than projected 2021 population, it is still expected that long-term population growth will remain relatively similar to the figures used by Colliers in the 2020 Land Use Inventory and Capacity Report. This will result in long-term land demand projections resembling those outlined in the report.
- In total, the net incremental residential unit mix allocation resulting from the draft land use designations is expected to warrant sufficient supply to meet total demand by 2046. There still could potentially be a slight undersupply of single-family homes, although individuals desiring these homes may instead choose ground-oriented units.
- The City is expected to have more than enough total capacity to meet the expected demand for commercial space by 2046. Further, as southern Nanaimo is relatively underserved by retail when compared to the rest of the City, the South Gate Secondary Urban Centre is effectively positioned to fill this void with new retail supply.
- Although additional industrial land will be brought to market within the Sandstone and Oceanview lands, the City is still expected to experience a potential supply shortage by 2046. It will be important to incentivize intensified industrial development formats where possible. This could include examining height limits and a broader range of permitted uses in certain locations.
- In order to achieve complete communities in each of the 7 Urban Centres, it may be helpful to encourage growth in target areas meeting a suite of criteria as identified by the City and the development community. Further, while 12 storey height limits are suitable, the policies supporting higher density formats in target locations appear to be well thought out.
- The height limits within both Corridor designations and the removal of commercial uses from the Residential Corridor designation are both reasonable and in line with development trends.
- The provision of 6 storey (instead of 4 storey) height limits in Neighbourhood Centres may facilitate mixed-use development and benefit surrounding residents through the introduction of convenience-oriented retail. However, it is understood that this development format may provide challenges when directly abutting single family neighbourhoods.

Based on the points outlined above and examined in more detail on the following pages, Colliers is confident that the updated land use designations and related policies will provide enough capacity to accommodate and respond to the projected land demand and related recommendations outlined in the 2020 Land Inventory and Capacity Analysis. If you have any questions regarding this memorandum, please do not hesitate to contact the undersigned directly.

Sincerely,

Colliers Strategy & Consulting Group



Gordon Easton
Vice President
604.662.2642
Gordon.Easton@colliers.com



Russell Whitehead
Senior Vice President
604.661.0857
Russell.Whitehead@colliers.com

1. Review of Projected Demand Compared to Land Capacity

1.1 Comparison of 2021 Statistics Canada Census Data to Previous Population Projections

Despite a slightly lower than projected 2021 population, it is still expected that long-term projections will remain relatively similar to those used by Colliers and result in long-term land demand projections resembling those outlined in the 2020 Land Use Inventory and Capacity Report.

The 2020 Land Inventory and Capacity report (Capacity Report) relied on the baseline and high growth population projections provided by Van Struth Consulting Group (Van Struth). These projections, which were also used by Licker Geospatial (Licker) as outlined in their Residential Build Out and Population Methodology, estimated that the City's population will grow from 94,525 in 2016 up to 107,779 in 2026 in the baseline scenario and 112,272 in the high growth scenario. Based on these original population projections, the 2021 population would be estimated at 101,152 in the baseline scenario and 103,398 in the high growth scenario. These figures are slightly higher than the 2021 Statistics Canada Census population of 99,863.

Despite this dynamic, it is still expected that long-term projections will remain relatively similar to those provided by Van Struth based on the City's growing attractiveness as a place to live and relative affordability in comparison to Metro Vancouver and the Capital Regional District. Any slight variances in the projected population are not expected to have a material impact on the projected land use demand figures outlined in the Capacity Report. Colliers believes these projections are still defendable based on this new population data.

1.2 Projected Residential Demand Compared to Capacity

In total, the net incremental residential unit mix allocation resulting from the draft land use designations is expected to warrant sufficient supply to meet total demand by 2046. There still could potentially be a slight undersupply of single-family homes, although individuals desiring these homes may instead choose ground-oriented units.

Overview

While Colliers understands that the population distribution data provided by Licker is still being refined, particularly as it relates to the size of some of the Urban Centres, we have assumed that the projected growth figures by dwelling category as outlined in the excel sheet titled Residential Model Assumptions are still being relied upon when examining targeted Citywide growth. Colliers has reviewed the methodology used by Licker, and while it appears robust, it may have relied upon slightly outdated household size assumptions.

It appears that 2016 Census averages were used as multipliers to the projected number of residential units in 2046. This would be accurate if household sizes by dwelling type haven't changed over the past decade nor will be expected to change over the next 20 years; however, it could be more likely that, for example, household sizes in townhomes slowly increase as more young families choose this format over single family homes due to affordability and availability. While this could potentially skew the output figures provided by Licker, the impact is expected to be negligible. For example, while it is possible that the average household size for townhomes may increase from 2.0 to 2.1 by 2046, this would only result around a 5% reduction in total unit demand. Therefore, for the purposes of this analysis, Colliers has examined the following split of additional unit types being planned for in the OCP in comparison to the demand figures from our Capacity Report:

	SFD	GO	APT 3 – 5	APT 6	APT 12	APT 36	Suite	Total
City Provided	2,100	6,300	3,780	5,040	1,890	630	1,260	21,000
Colliers - Base	2,782	4,041	8,148				n/a	14,971
Colliers - High	4,050	4,926	12,011				n/a	20,987

Based on the current population of 99,863, the City is expected to welcome an additional 26,766 to 42,020 residents between 2021 and 2046. The Capacity Report outlined that there will likely be demand for an additional 14,971 to 20,987 new residential units based on expected population growth by 2046. When examining land capacity to meet this demand, Colliers found that the City is expected to have enough capacity within its vacant and developable land to support future growth in all scenarios except the high growth, low density scenario. This scenario is unlikely to occur based on development trends and City goals of higher density, sustainable development formats.

The City's 2046 Hybrid Residential Buildout Scenario outlines the ability to accommodate 19,780 new residential units by 2046, which is slightly lower than the figures provided by Licker as outlined in the table above. Overall, this is on the high end of expected consumer demand and is sufficient to accommodate the projections from the Capacity Report. However, it is also important to examine projections by dwelling type and any potential regulatory barriers driven by the new land use designations, as outlined below and on the following pages.

Single Family Homes

The Capacity Report outlined expected future demand for an additional 2,782 to 4,050 new single-family homes based on the household maintainer rate projection methodology provided by Van Struth. This methodology assumed that maintainer rates will move forward and densify at half the rate of the previous decade, which based on Colliers' calculations could potentially overestimate the future demand for single-family homes by 200 to 500 units. If this is indeed the case, the City could still experience demand for 2,282 to 3,850 more single-family homes by 2046.

The housing allocation data provided by the City and Licker appear to have allocated for 2,100 additional single-family homes and an additional 1,260 secondary suites by 2046. This allocation could potentially result in an undersupply of single-family homes and upwards pressure on prices. However, the secondary suites may alleviate this pressure and capture a portion of the demand from individuals seeking single-family homes as they may now instead choose this format due to the desire for front door access and as a way to afford a mortgage where they may otherwise not be able to.

Ground Oriented Homes and Apartments

The projections within the Capacity Report outlined the demand for an additional 4,041 to 4,926 new ground-oriented units by 2046. In comparison, the allocation provided by Licker outlined 6,300 ground-oriented units. This figure may be slightly high; however, recently constructed townhomes and low-rise apartments units have been quickly absorbed into the market and are continuing to grow in popularity. Further, there is a chance that in time, a portion of the individuals that would originally desire a single-family home may instead purchase a ground-oriented home due to the dynamics outlined above.

When it comes to higher density formats, the allocation of 11,340 apartment units is an appropriate amount and is in line with projected demand. The City has ample opportunity for higher density forms of development when compared to single-family homes and is expected to have the capacity to accommodate the demand for such units. In addition to the vacant and developable land throughout the City, the redevelopment of existing shopping centres could also provide significant capacity for apartments.

1.3 Projected Commercial Demand Compared to Capacity

In total, the City is expected to have more than enough total capacity to meet the expected demand for commercial space by 2046. Based on the significant supply elsewhere in the City, additional retail floorspace should be focused within and near relatively underserved Urban Centres and in strategically positioned Neighbourhood Centres.

In the Capacity Report, Colliers projected demand for an additional 610,000 to 775,000 square feet of traditional retail floorspace demand and 126,000 to 160,000 square feet of commercial services demand by 2046. Based on the analysis, Colliers found that the City has enough land designated to permit commercial uses to accommodate this demand. These findings remain the same based on the updated land use designations.

Despite this averaged Citywide surplus of commercial land, some neighbourhoods in Southern Nanaimo remain relatively underserved when it comes to the suitable amount of floorspace necessary to keep up with growing demand. The South Gate Secondary Urban Centre and surrounding area is appropriately positioned to be a key focal point for future retail supply, with tenants benefiting from the employment and population growth being driven by nearby Sandstone. Ultimately, an enhanced retail experience is necessary to transform this area into a true southern gateway to the City.

Further, it is encouraging that the Neighbourhood Centres throughout the City will continue to provide for convenience retail opportunities within most areas. This is directly in line with retail development best practices that suggest there should be a convenience node (coffee shop, convenience store, etc.) within a 5-minute walk of most residents. The most appropriate development format for these nodes would be 4 to 6 storey mixed-use residential buildings with 5,000 to 10,000 square feet of commercial floorspace at grade. Where Neighbourhood Centres are not viable, policies within the OCP have clearly emphasized the importance of pedestrian connections between the Secondary Urban Centres and surrounding residential areas to alleviate the detrimental impact of existing seas of parking.

1.4 Projected Industrial Demand Compared to Capacity

Although additional industrial land will be brought to market within the Sandstone and Oceanview lands, the City is still expected to experience a potential supply shortage by 2046. It will be important to incentivize intensified industrial development formats where possible.

The Capacity Report projected that the usable vacant industrially zoned land within the City's Urban Containment Boundary is insufficient to satisfy demand projections even under the Status Quo scenario. The report estimated the demand for an additional 166 to 252 hectares by 2046. Since this report was completed, more land has been provided for future industrial use including 90 hectares within Sandstone and an estimated ~50 hectares within Oceanview. Assuming these sites are developed and occupied, in addition to the identified vacant and under construction land outlined within the Capacity Report, this would result in an additional ~186 hectares of land to accommodate demand.

Although this is a much-needed influx of supply, there may still potentially be a shortfall of land by 2046 with industrial market trends indicating that future demand is headed towards the upper end of the projections outlined in the Capacity Report. This is particularly evident as a large portion of available industrial land is within lots smaller than 1 hectare in size, too small for many users seeking space in the market. This has already resulted in Nanaimo losing out on significant employment opportunities from would-be users choosing other municipalities on the island that have lots large enough to suit their needs.

2. Review of Land Use Designations

2.1 Primary and Secondary Urban Centres

In order to achieve complete communities in each of the 7 Urban Centres, it may be helpful to target growth in areas meeting a suite of criteria as identified by the City and the development community. Further, while 12 storey height limits are suitable, it is encouraging that the City has identified locations for higher density formats with a focus on Downtown.

Total Number of Urban Centres

Colliers understands that the City is concerned that 7 Urban Centres (6 in addition to Downtown) could result in the inability to achieve complete communities within any of them. As a result, the City has initially discussed two options, the first of which would be the prioritization of development within specific Urban Centres through the use of certain incentives. This could include the creation of area plans or the investment in infrastructure requirements. The second option would be the reduction of the number of Secondary Centres while adding a third level of Tertiary Centres with reduced densities and heights.

Colliers believes the first option would be more suitable, as the second option might not help to achieve better communities and lower density levels could potentially hinder any development from occurring. Instead, encouraging growth in relatively underutilized areas could instead be a good approach. In many instances, the biggest hurdle to development is the planning process to instigate land use changes, particularly in areas of higher risk due to limited historical demand. Anything the City could do to create certainty with respect to servicing upgrades and planning entitlements in strategic locations would likely be positively received by the market.

Building Heights

Based on discussions with the development community, Colliers believes that it is important to build in as much flexibility as possible due to the long-term nature of the OCP as rezonings are more achievable than OCP amendments. Building heights are one of the key factors leading to the viability of certain development formats. When it comes to minimum building heights, Colliers agrees with the draft land use designations as the OCP will be establishing a new built form. Colliers also agrees that the 12 storey height limit within the Primary and Secondary Urban Centres is appropriate with the understanding that the City will provide the ability to go higher in strategically selected areas of the City. The 12 storey height is realistic from a constructability and market perspective and would allow for a variety of housing typologies.

Cross Laminated Timber Construction

While Cross Laminated Timber Construction (CLT) has been introduced in some select markets in British Columbia, Colliers anticipates that this building typology may become more commonplace as it becomes more known, and pricing becomes more competitive with other building typologies. Building heights above 12 storeys with CLT are currently challenging due to building code related issues, but over time this may also become more commonplace.

Woodgrove

Woodgrove should continue its growth into the City's key northern gateway. While ongoing development in this area is encouraging, it will be important to ensure that there isn't a significant net influx of retail floorspace, but rather the reallocation of existing space in redeveloped formats.

South Gate

Southern Nanaimo has traditionally not witnessed significant development activity due to several reasons including the lack of amenities, shopping, services, employment opportunities, and other infrastructure. Despite these challenges, the development of Sandstone has the potential to catalyze overall interest in this region, which ultimately has a higher capacity for growth compared to some of the City's other Urban Centres. New residential development in this area in conjunction with the development of Sandstone will likely generate significant attention from potential retailers. The addition of new residential and commercial uses in this part of the City will also help to transform it into a more prominent southern gateway.

2.2 Mixed-Use and Residential Corridors

The height limits within both Corridor designations and the removal of commercial uses from the Residential Corridor designation are both reasonable and in line with development trends.

Within the Corridor designations, the 6-storey height limit appears reasonable and in line with development trends. The removal of commercial from the residential corridor designation is also encouraging in order to ensure that retail floorspace is not spread out too much more throughout the City with an endless strip of offerings.

2.3 Neighbourhood Centres

The provision of 6 storey (instead of 4 storey) height limits in Neighbourhood Centres may facilitate mixed-use development and benefit surrounding residents through the introduction of convenience-oriented retail.

Mixed-use Neighbourhood Centres play an important role throughout the City, particularly as a gathering place that provides the day-to-day needs of nearby residents. In some areas of the City, it may be beneficial to permit 6 storeys of development rather than 4. While this may create more of a stark difference in built form in comparison to adjacent single-family neighbourhoods, it may also result in a higher chance that the redevelopment of these sites becomes financially feasible for their owners. This redevelopment could potentially bring an influx of ground-floor retail supply, benefiting surrounding residents.

2.4 Industrial and Light Industrial

As the City is still expected to experience a shortage of industrial land supply by 2046 despite the additions of the Sandstone and Oceanview lands, it will be important to support intensified development formats wherever possible. This could include examining height limits and a broader range of permitted uses in certain locations.

As outlined in Section 1.4 of this memorandum, industrial land uses are expected to experience a potential shortage to meet projected 2046 demand. When it comes to light industrial land, it will be important to facilitate intensified development wherever possible, particularly in locations that are easily accessible and close to population centres. Regulations such as maximum building heights (3 storeys in the draft OCP) may have an impact on the viability of stacked light industrial formats. For example, Metro Vancouver has much stronger industrial lease and strata rates than Nanaimo, yet the financials of intensified formats are only recently breaking even. In many instances, the development of two storeys of light industrial is only viable through the inclusion of 2 to 4 storeys of hybrid office / light industrial tenant types that are able to pay higher lease rates yet are not suitable for a Downtown location. Due to the potential timelines associated with rezonings to allow for higher building heights, it may be important to accommodate this built form through zoning in several areas throughout the City rather than permitting it on a project specific basis. In some areas without conflicting adjacent uses or view concerns, it may be useful to altogether remove height limitations to allow flexibility and encourage proponents to maximize the productivity of industrial land.

Further, it is important to continually examine the list of permitted uses, particularly in light industrial areas, as a way of incentivising higher density development. In many instances, the inclusion of some alternative uses in industrial projects may support industrial activities and encourage the infill and intensification of industrial development by improving overall financial and operational viability. The definition of a light industrial tenant is rapidly evolving, with some emerging tenant types suitable for above ground units not accounted for in outdated zoning bylaws. For example, video game manufacturers, medical device manufacturers, architectural model designers, creative industries, and similar tenants utilize more of an "office" than traditional "light industrial" type floorplate and have the ability to operate in above ground units while paying above average lease rates. These higher value tenants still produce goods and services for the general economy and can subsidize the increased cost of building a second floor of traditional industrial space.

For example, the I-2 industrial zoning along 2nd Ave in Vancouver supports office development above minimum industrial floor area requirements to supplement the costs of building intensified industrial projects. Further, the newly enacted I-1C zoning allows twice the density permitted in normal I-1 zoning (from 3.0 FSR to 6.0 FSR) as long as a full 2.0 FSR is dedicated to light industrial uses while generally maintaining the same use provisions as the I-1 industrial zone. These new regulations have already resulted in several intensified industrial construction starts in the area.