

To: Mayor Darrel R. Mussatto and Members of Council

From: Michael Theil, representing North Shore Bicycle Dealers and other outdoor retailers as per the list attached.

**Subject: Mountain Equipment Co-op (MEC) Development Proposal:
212 Brooksbank Avenue**

Date: November 8, 2010

“The controversy is MEC is not small and local. In some ways it’s similar to a big box operation in terms of its impact on small and local retailers. It’s for them to compete with MEC. The impact on local bike stores may be real”

These are the words of MEC Director of Ethical Sourcing, Harvey Chan, in answer to MEC membership complaints that MEC was becoming too big, entering markets that were well served and competing unfairly with other retailers by virtue of its significant tax advantage, allowing it to pay little or no tax on earnings.

There is another side to MEC’s green “image” and the good works that it does.

MEC is a retail wolf in sheep’s clothing. MEC’s entry into any market has serious negative implications for local family run businesses. This has been proved time and again as MEC has expanded well beyond its initial core business and into markets it was never envisioned that MEC would serve. MEC has become a retail bully.

MEC has over 3.25 million “members”. Yet less than 20,000 (well less than 1%) of those members actually vote in elections and participate in deciding the direction of MEC. Most “members” are ignorant of the fact that MEC is a retail co-operative that enjoys an unfair tax advantage or how it competes with, and crushes, smaller retailers.

Council may ask why bike dealers are concerned about a change to the OCP to allow the expansion of MEC.

There are many reasons. Not the least of which, is the issue of unfair taxation allowing that business to take ever more money out of the market economy while not contributing its fair share to services and benefits all Canadians require. Furthermore, the report prepared by staff is flawed in several respects, based on incorrect assumptions and incomplete data, which we will discuss briefly below. Also, the report from staff fails to consider the negative impact on local businesses of rezoning a very limited supply of light industrial land over to big box retail. Finally, neither the staff report, nor the application by MEC, reveals one of the principal reasons that MEC seeks to expand. That is to allow MEC to add a significant component of bicycle retail and repair to its existing business, which

currently does not sell or services bikes.

That the market for bikes is well served on the North Shore is an understatement. There are 6 independent bicycle dealers (IBD's) within the City and 4 within the District. All are local family owned businesses, some of which have served their market for over 20 years. Yet MEC has decided to enter that market and attack these family owned businesses. "Attack" may seem like an exaggeration but that is exactly what MEC has done as evidenced by (once again), their Director of Ethical Sourcing, attempting to throw the entire bicycle industry, including dealers, under the bus with unfounded allegations in an online smear campaign. The wolf showed its teeth.

That campaign resulted in the Bicycle Trade Association of Canada publishing an open letter to MEC correctly disputing its claims and alerting MEC of the potential damage they will cause to the bicycle market. A copy of that letter is attached.

In regard to this issue we also attach:

a copy of a letter from the Canadian Federation of Independent Business concerning the unfair competitive tax advantage that MEC has and the potential harm caused by their unchecked expansion.

a brief overview of the tax treatment a Retail Co op receives

an article that appeared in the Vancouver Sun detailing the experience of several retailers dealing with MEC

an article that appeared in Bike Europe – regarding the Canadian cycling industry

a letter from a local bicycle dealer presenting his perspective on the subject.

a copy of an MEC blog entry discussing the subject

So the first issue is one of fairness, competitive advantage and the impact that this rezoning may have on existing businesses that are more than serving the market. Does it make sense to use rezoning to allow for big box retail that will damage established business and reduce the available industrial land within the City? What effect will that have on the communities the existing retailers serve and the larger community that will now have to travel farther to work and find services?

MEC already has significant competitive advantages. Rezoning this land will result in MEC receiving another considerable advantage. With, what amounts to "green" window dressing they will have been able to buy this site for millions less than what retail zoned land would have cost them. In effect, the City would be giving this big box developer a gift and another advantage over local businesses.

This is a dangerous precedent, as other owners will no doubt come forward with similar plans. If the City wants to maintain a level playing field, it will be difficult to resist similar

proposals, thereby further diminishing available industrial land.

Turning to the application and report from staff, we believe there are some assumptions that need to be corrected or further examined. In addition, there are impacts and consequences of this application that have not been considered.

USE

the current zoning of the site is light industrial permitting a variety of uses, from office to light manufacturing and warehouse

Industrial land is scarce throughout the region and there is a demand and market for that type of space within North Van as evidenced by the prior owners plans to develop the site and the City's approval of that plan

the City's OCP identifies the Lower Lonsdale light industrial area as one having "conflicts" with neighbouring uses and that this area is under review

the proposed site is adjacent to other industrial uses, near transport routes out of the City and does not have "conflicts" with those nearby of the sort experienced in Lower Lonsdale. Therefore does it make sense to rezone this site if at some future date the City may consider eliminating some of the industrial lands in Lower Lonsdale?

The OCP states that "*Industry continues to serve an important role in the City. It creates jobs and diversifies our local economy*" **and** that "*Given the limited size of the City and its full development, new opportunities for industrial development are very limited. Industrial policy therefore deals primarily with the retention of industrial lands and interface issues*" and at **5.9 INDUSTRIAL LAND USE OBJECTIVES:**

5.9.1 To support the retention of industrial lands in the City in appropriate areas, while recognizing the changing nature of industrial pursuits.

And in regard to the area in question

East of Heywood and North of CN Rail

*This area has experienced a great deal of redevelopment since the closure of the Park and Tilford Distillery and the Kodak Processing Plant in the 1980s. In addition to the Park and Tilford Shopping Centre, these low intensity land uses have been replaced by a variety of relatively labour intensive industrial and industrial/service businesses, including the Lions Gate Studios, manufacturing and testing facilities. These uses are relatively friendly to the environment and the neighborhood. **Other similar uses of this type are encouraged in this area.***

We believe this is good urban planning and council is to be recommended for it. Reducing the available industrial land will have considerably more negative green effects than

building a green building. Industrial jobs and services will be exported resulting in people having to travel further to work every day and others further for services. The net effect would be an increase in green house gas emissions. This needs serious study and has not been addressed in the staff report.

The Site

The staff report points out that City policy documents considers this area in a north-south perspective and that this focuses attention on Brooksbank as the context for the site.

However, staff proposes that policy be ignored and that an east- west context is “in reality” what exists. A commercial use context map is included in the report. What is not stated and is relevant is that contrary to the impression left, much of the east-west context in the district is zoned light industrial; IE everything east of MEC’s current location.

Furthermore, everything around the proposed site, except the other side of Brooksbank is industrial. The site is across from a body shop on one corner, the rail yard on another and has another industrial site behind it, on Brooksbank. So similarly to Main street in the District where one side of Main is mainly industrial, so it is with Brooksbank. This is not unusual as zoning boundaries always create such divisions.

Access to the site will be from Brooksbank and Brooksbank is the proper context.

Rezoning the site, rather than creating an “edge” would serve to make the site an island. Suggesting policy should be ignored in favour of looking at that the site from another perspective, amounts to a rationalization not envisioned by the original plan.

Connections to Lynnmouth Park and the Spirit Trail

The possibility for these connections exist with the current zoned use of the property. Retail zoning does not create these connections or the options for landscaping. Staff can work with an industrial owner to achieve these objectives.

Employment

Industrial jobs are more valuable than retail jobs. They pay more and provide valuable services to the community. The report makes clear that “it is not known” how many jobs the industrial uses may have created. Some reasonable assumptions can be made however and this deserves further study and consideration. It is not unreasonable to assume that there could easily be as many or more FTE’s than with MEC. It is a fact that they would be

higher paying. Rezoning the site means the potential for those jobs is gone for good.

MEC states that they pay 150% more than the starting retail wage. This is a function of the market place, not anything unique at MEC. Specialized retailers like bike stores pay at least that much and in most cases more.

The loss of retail jobs in competing businesses also needs to be considered.

Green Building

We agree the building proposed by MEC is a more environmentally friendly building. That however, is where the benefit ends, as those green benefits will be far outweighed by negative environmental impacts of exporting industrial jobs out of the city and increased traffic in the local area.

Traffic

The Main Street corridor and Brooksbank are already a traffic nightmare. Putting a big box retailer on the corner will only add to that. MEC is open 7 days a week and would be directly opposite Park and Tilford Mall. This would have an immediate impact on traffic, especially on weekends, the busiest days for retailers. Industrial users generally operate only 5 days per week and at different hours of the day than retail users. As such industrial use is a better use for both environmental and traffic issues.

This has not been addressed in the staff report.

Unique Use

MEC is a retailer. There is nothing unique about that or the products they sell. Zoning and planning decisions should not be made based on how a specific user may relate to a site. Does the City propose that other outdoor retail uses might be located next to parks and waterways, because putting the retailer next to a park might reinforce an active, outdoors, environmentally sensitive lifestyle? Who does that benefit? We would argue that it benefits the retailer.

In this case we note that one of the access trails to the park is to lead users right past the front door of MEC. This trail is entirely unnecessary, given the other access points and has more to do with delivering customers to MEC than any other benefit.

Summary

North Vancouver City should not abandon its OCP in exchange for what amounts to Green window dressing of a retail big box retailer that already has enough advantages in the marketplace.

The up zoning of this site would amount to a gift of substantial proportions to a wealthy corporation with significant negative impacts on local existing businesses, a loss of job diversity and far reaching negative environmental impacts.

Despite our best efforts with the City, the information regarding this application only came known to us last Friday.

As such, a fully detailed analysis and response has not been possible. However, our principal concerns are detailed herein, but may be added to.

Likewise it has not been possible to reach all parties that are affected. A preliminary list of retailers that oppose this proposal and that we have spoken to is below. We believe that list will grow as more information is released and we have an opportunity to speak with them.

Bicycle Sports Pacific (District)

Cove Bike Shop (District)

North Shore Bike Shop (City)

Obsession Bikes (City)

Steed Cycles (City)

Deakin Equipment (City)