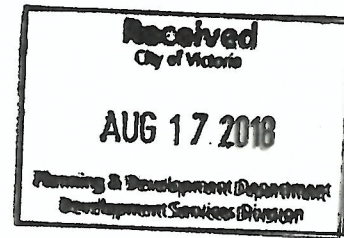


17 August 2018

Method Built Homes Ltd.
The Garage
4566 Cordova Bay Road
Victoria, British Columbia
V8X 3V5



Attn: Mayor and Council
City of Victoria
1 Centennial Square
Victoria, British Columbia
V8W 1P6

Dear Ms. Mayor and Members of Council,

Re: 953 Balmoral Avenue – 11-unit purpose-built workforce apartment building

I write further to the following motion from Council:

Postpone consideration of the application for 2 months and request the applicant to meet with the adjoining neighbours to explore possible consolidation of the adjoining lots.

I have had an opportunity to discuss in detail the business case for the possible consolidation of this site with the neighbouring sites as requested by Council. Unfortunately, for a number of reasons, consolidation is not feasible in the context of an affordable housing, purpose-built apartment project. As for-profit stratified condominiums to be sold at market, it may be feasible.

With respect to some of the outstanding concerns of Council when this proposal was last considered, please note the following.

1) Whether the developer considered height and setback changes. The response from staff was no.

As noted in my letter of 07 May 2018, substantial consideration was given to these issues. In fact, the reason why it has taken five years to get to this point is attributable in large part to issues of height and density. As noted in this prior letter, reducing the height and increasing the setbacks further would transform this proposal from an 11-unit, housing agreement locked, purpose-built, workforce apartment building, into (at best) a 4-unit stratified townhouse project.

As noted in my letter, the increased costs and ongoing delays associated with a rezoning and DP process, and related soft costs (professional fees) for a 4-unit stratified townhouse project outweigh the benefits of simply constructing a high-end urban oasis style private

duplex for two families (the site is already zoned for the later). As noted in my previous letter the height would in effect only be reduced by 1.5 stories, while the setback changes in this scenario would be negligible, apart from the front-yard setback.

Summary

Kindly note my previous letters to Council dated 03 April 2017, 10 November 2017, 20 March 2018, 07 May 2018, 30 May 2018, 11 June 2018, addressing outstanding questions with respect to the appropriate balance between development objectives and the provision of affordable housing in the current economic climate.

At the end of the day, as many of you accurately noted, this is a difficult decision for you to make.

From an economic perspective, as the developer, the relatively short-term return on a unique downtown duplex for two affluent families is similar to the long-term return on a larger investment in affordable rental housing, when accounting for the increased risk and capital associated with this proposal. Our goal with this proposal was to leverage what we believe to be an ideal location for affordable rental housing into something that is needed within this city.

Perhaps you are of the opinion that there is a significant profit margin in purpose-built workforce rental apartment buildings, but our analysis is that given the cost of construction and land in Victoria, this is not the case; this is why you do *not* see a proliferation of developers – outside of the non-profit societies with significant government funding like Pacifica, where I sit on the board – building out workforce rental projects in Victoria.

One thing is certain. One of two buildings will be seen on this site within the next year. In either case, the building will establish what is to come at this end of the block for the next 60 years; it will set the precedent.

The first option is the one before you, which after five years has been refined to include a 25-year housing agreement and a commitment to provide 2 of 11 units at below-market rates. This will fill what has been identified in the OCP as a glaring need within the City of Victoria; affordable rental units. It resembles, in character, what has been built at 1032 North Park, a block away, and welcomed by the majority of the neighbourhood.

The second option is to decline this proposal at which point this developer will take immediate steps build out the site as it is currently zoned, thereby providing two relatively well-off families with the opportunity to live in high-end homes in a rapidly gentrifying neighbourhood at the very edge of the downtown core; an equally attractive option from a pure ROI perspective, but one which provides no positive externalities to the community as compared with the first option.

At this stage, the decision is whether or not to send this amended proposal to public hearing where you will benefit from public input. At the very least, such public input, respectful of democratic principles, should inform the ultimate decision.

Though difficult it may be, the choice is yours to make.

Yours very truly,

Rajinder S. Sahota
Enc.