ATTACHMENT H

ROLLO LTD
+ASSOCIATES
Land Economists – Development Strategists

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City of Victoria
1 Centennial Square
Victoria, BC V8W 1P6

Re: Northern Junk Buildings Land Lift and Amenity Contribution Analysis

G.P. Rollo & Associates (GPRA) was retained by the City of Victoria to prepare a land lift and amenity contribution analysis of the proposed rezoning of the Northern Junk Buildings development site (the Site) from the current IHH, IH-Park, and CA-C3 zones to a new zone proposed by Reliance Properties that would allow for development up to 2.82 FSR for 103 residential dwelling units and ground floor commercial.

The purpose of the analysis is to estimate the land lift and amenity contribution on the site from an increase in density from 1.0 FSR on IHH and IH-Park zoned land and 0.5 FSR on CA-C3 zoned land to a proposed density of 2.82 FSR mixed use development on the Site. This lift is expected to finance the costs of rehabilitation, restoration and seismic upgrading of the heritage buildings on the Site. The CA-C3 zone has since been changed to the OTD-1 Zone with the recent adoption of the Zoning Bylaw 2018 but the densities remain the same.

1314 Wharf Land Information

	Parcel A		Parcel B		Parcel C		Parcel D		SUMMARY	
Ownership	Reliance		City		City		City			
Address	1314, 1318 Wharf		1324 Wharf		0 Wharf		Closed Road			
Legal	Lot 182F		Lot 182A		Lot 182G					
AREAS	m^2	SF	m^2	SF	m^2	SF	m^2	SF	m^2	SF
Area (natural boundary)	1,218.00	13,110.44	724.00	7,793.07	304.00	3,272.23		0.00	2,246.00	24,175.74
Area	158.00	1,700.70	289.00	3,110.77	199.00	2,142.02	1,906.00	20,516.01	2,552.00	27,469.50
Area TOTAL	1,376.00	14,811.14	1,013.00	10,903.84	503.00	5,414.25	1,906.00	20,516.01	4,798.00	51,645.24
Percent area/ total	28.68%		21.11%		10.48%		39.72%		100.00%	
Zoning	IHH: Inner Harbour Heritage District		IH Park Inner Harbour Parks and Causeway District		IH Park Inner Harbour Parks and Causeway District		CA-3C			
OCP Designation	Core Inner Harbour		Core Inner Harbour		Core Inner Harbour		Park			
OCP FSR (for Land lift)	Base 1:1 up to 4:1		Base 1:1 up to 4:1		Base 1:1 up to 4:1		0 up to 0.5:1			
Permitted Use(s)	retail, residential above 2nd storey		public washroom, park, docks		public washroom, park, docks		office/commercial, residential above 2nd storey, transient accommodation			

The larger combined site of the proposed development currently comprises Lot 182F (the Reliance-owned Northern Junk Heritage Buildings Site), Lot 182 A, Lot 182 G, and a new parcel to be created from a road closure. The total combined site area is 4,798 square metres (51,645 square feet) including some water-lot area. The developable area is 4,152 square metres (44,692 square feet). The developable area of the smaller Site, the IHH-zoned land owned by Reliance, is 1,376 square metres (14,811 square feet).

The four individual lots that make up the combined site are unlikely to be developable independently and would likely require consolidation in order to be developed based on discussion with City staff. As well, a condition required for development on the Site is the restoration and upgrading of the Northern Junk Heritage Buildings. As such, analysis must consider the costs and limitations that these conditions place upon development of the Site and on the potential lift from rezoning.

This document focuses on the lift in land value specifically to the Reliance-owned Northern Junk Heritage Buildings Site. The analysis consists of preparation of residual land value analyses which determine the maximum value that a developer could afford to pay for the Site under current zoning (which assumes an aggregate maximum FSR of 0.926 and required improvements to the Northern Junk Heritage Buildings) and under the zoning required for the proposed development. GPRA assumes development occurs under current market conditions and does not attempt to reflect potential changes in the market. GPRA used standard developer proformas for each case to model the economics of typical development as proposed/allowed under current and new zoning.

The 'Lift' is then calculated as the difference between residual land values under current base density and under the proposed new zoning.

METHODOLOGY & ASSUMPTIONS

GPRA has prepared the analysis in one case, under proposed zoning, as if the land value from the larger combined site were equally distributed, yielding a value for the Reliance Site proportional to its share of the total developable area (28.68%). The other case, under existing base densities, assumes the Northern Junk Heritage Buildings are rehabilitated and supplemented with as much high-value residential density as zoning will allow (assuming similar strata units to those in the larger proposed development).

The analyses are created using a standard developer proforma wherein estimates of revenues and costs are inputs and the remaining variable is the desired output. In typical proformas this output is usually profit, following a revenues minus costs equals profit formula. For a residual land valuation, however, an assumption on developer's profit needs to be included in order to leave the land value as the variable to solve for. For these analyses GPRA has assumed 15% profit on project cost for the higher zoning analysis (on sale of the project at completion of construction), which is standard for lift analyses that GPRA undertakes, and a 10% profit on project cost for the existing base density analysis. The 10% profit on cost both addresses this scenario having about 1/2 of the built area as a longer-term investment, and also endeavors to retain a positive land value after significant restoration and upgrading costs. The residual values are the maximum supported land value a developer could pay for the Site (under the densities tested) while achieving an acceptable return for their project.

The residual land values determined from these analyses are then compared to establish a 'lift' in value that arises from the change in zoning. This lift in value is the total potential monies that are available for amenities or other public works not considered as part of the analysis. Typically there is some sharing of the lift value between the Municipality/District and the developer, but the percentage shared varies by community and by project.

GPRA determined strata revenues used in the analyses from price estimates of newly developed apartments in concrete construction in the general vicinity of the Site from an independent survey of the market. Consideration was also given to the price Reliance indicated they intended to sell units at. Heritage building upgrades and other hard project costs were taken from estimates prepared by Altus Group for Reliance Properties and are deemed reliable. Other costs not provided and confirmation of costs provided were derived from market sources, including information readily available from quantity surveyors on average hard construction costs in the City. Development or soft costs have been drawn from industry standards, and from the City's sources.

Revenues and operating cost assumptions for the commercial components of the project were determined from a review of current lease rates and terms and from information provided to GPRA by Reliance Properties.

The cost to construct the waterfront walkway (referred to as David Foster Way) proposed by Reliance Properties is not included in the analysis as it is considered an amenity and should be given consideration after the lift is established. Other items not included in the analysis, but for which estimated costs have been provided include a statutory right of way, the JSB SE Plaza, street improvement, and a bike lane. Furthermore, environmental remediation costs have not been included in the proforma analysis nor have any heritage rehabilitation incentives.

All information provided by Reliance Properties has been checked and deemed reliable upon review by GPRA.

CONCLUSIONS & RECOMMENDATIONS

The lift from rezoning the Site is estimated at $1.45 million, based on the analyses. This lift value represents the total increase in land value from rezoning the entire Site. Reliance's share of the lift based on its 28.68% of the site size is $415,000. It is GPRA's understanding the City would be taking a typical 75% of the lift, which would result in an amenity contribution around $311,000. This figure is significantly less than the $1.22 million estimated cost of the proposed public waterfront walkway and other proposed public amenities to be included with the project. The following table summarizes the abovementioned figures.

Net CAC before in-kind		$311,223
David Foster Way		-$1,220,000
Statutory ROW		-$120,000
JSB SE Plaza		-$570,000
Street Improvements		-$90,000
Bike Lane		-$140,000
Soft costs @	25%	-$535,000
Total Reliance CAC		-$2,363,777

I trust that our work will be of use in the City's determination of the Amenity Contribution they will seek as part of rezoning the Northern Junk Buildings Site. I am available to discuss this further at your convenience.

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