



September 27, 2018

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

Re: 926-932 Pandora Avenue Land Lift Analysis

G.P. Rollo & Associates (GPRA) has been retained by the City of Victoria to complete a Land Lift and Amenity Contribution Analysis for the proposed rezoning of 926-932 Pandora Avenue Victoria (the Site) from the current CA-1 Zone to the proposed zone by Kang & Gill Construction Ltd (the Developer).

The purpose of the analysis is to estimate the land lift and amenity contribution on the site from an increase in density from 3.0 FSR for a residential building (identified as the 'base density' under the Official Community Plan designation as Core Mixed-Use Residential Urban Place Designation) to a proposed density of 4.55 FSR mixed commercial at grade with residential strata above project on the Site.

The analysis consisted of preparation of residual land value analyses which determines the maximum value that a developer could afford to pay for the Site assuming it already had the new zoning for 4.55 FSR and the maximum value a developer could pay for the site permitted under the CA-1 Zoning under current market conditions. GPRA has been asked to assess the value of the Site with the following potential uses:

- 1) Residential strata;
- 2) Commercial retail uses;

GPRA used standard developer proformas for each case to model the economics of typical development as proposed/allowed under the each zoning. The 'Lift' is then calculated as the difference in residual land values under both current CA-1 Zone and the proposed new zoning/density.

METHODOLOGY & ASSUMPTIONS

The Site is roughly 2,600 square metres in area after dedications and can be developed under the current zoning with a mix of ground floor commercial with residential above at a density up to 3.0 FSR. The proposed new development at roughly 4.55 FSR would amount to approximately 11,840 square metres of GBA, comprised of 11,314 square metres (gross area) of residential (composed of 143 apartments and 5 ground oriented townhouses), and 526 square metres of ground floor commercial space, with 117 parking stalls to be provided.

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 return needs to be included in order to leave the land value as the variable to solve for. For these analyses GPRA has determined the residual value based on the developer achieving an acceptable profit of 15% on total project costs (calculated as a representative portion of overall project costs for the proposed development). The residual values are the maximum supported land value a developer could pay for the site (under the density and conditions tested) while achieving an acceptable return for their project.

The residual land value determined from this analysis is then compared to the value of the site using the supported base density as noted in the OCP to establish a 'lift' in value that arises from the change in density. This lift in value is the total potential monies that are available for public amenities or other public works not considered as part of the analysis. GPRA have made allowances for streetscape and public realm improvements that would typically be incurred through development in both sets of analysis. Any additional improvements that would be required only from the proposed rezoning to 4.55 FSR and not from development under current planning would impact the lift and would need to be identified, priced, and included in a revised 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. It is GPRA's understanding that in compliance with current policy, the City has determined that they will seek 75% of the lift for amenities.

GPRA determined strata revenues used in the analyses from a review of recent sales and offerings for sale of recently developed apartments of concrete construction within roughly 10 km of the Site, with a focus on projects that were deemed comparable to that which has been proposed for the Site. Rents for commercial uses have also been drawn from a scan of projects with current listings in the area. Consideration has been given to how the adjacency to various social services in the neighbourhood might impact revenue.

Project costs were derived from sources deemed reliable, 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. All other assumptions have been derived from a review of the market and from other sources deemed reliable by GPRA.

CONCLUSIONS & RECOMMENDATIONS

GPRA estimates that the lift from the proposed zoning for the additional 1.55 FSR of density is roughly \$818,700. At the City's standard rate of a 75% share of the lift the indicated amenity contribution from this rezoning is \$614,000.

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 926-932 Pandora Avenue. I am available to discuss this further at your convenience.



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