City of Victoria Density Bonus and Affordable Housing Policy: Summary of Findings of Financial Analysis

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Prepared for:
City of Victoria

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1.0 Introduction

1.1 Background

Prior to 2016, the City of Victoria negotiated Community Amenity Contributions (CACs) from rezonings on a site-by-site basis, using financial analysis and direction from the Official Community Plan (OCP) and local area plans to determine the appropriate contribution from each project. Negotiations focused on providing a range of potential amenities including heritage rehabilitation, public realm improvements and other benefits to offset the impact of additional density.

In October 2016, the City of Victoria updated its Density Bonus Policy to establish a fixed rate CAC target for specific types of projects. The fixed rate approach was intended to provide greater transparency and cost predictability to the development process by allowing developers to calculate the cost of the contribution up-front. While developers continue to have the option of negotiating the CAC, the fixed rate approach offers the opportunity for a more efficient CAC process. Funds generated by the fixed rate CAC are directed to public realm improvements and heritage seismic upgrades.

CACs from larger rezonings in the Downtown Core Area continue to be negotiated, with the amount of the negotiated contribution directed to affordable housing. The City requires larger rezonings in the Core Area to negotiate for on-site affordable housing units. Alternatively, developers can make a cash-in-lieu contribution to an affordable housing fund.

Our understanding is that, since 2016, a small number of applicants have elected to use the fixed rate approach and there have been limited funds generated for affordable housing initiatives from negotiated CACs. As a result, the City is revisiting the existing Density Bonus Policy. Since the provision of affordable housing has become a top priority, the City is considering requiring on-site affordable housing units or cash-in-lieu as the amenity contribution for all rezonings.

As input to the policy analysis, the City retained Coriolis Consulting Corp. to analyze the financial performance of different types of rezonings in the City to determine whether it is financially viable for strata residential rezonings to include affordable housing units and, if so, the share of total units that is likely viable.

This report provides a summary of the analysis that we completed and identifies the key findings. All of the financial analysis contained in this report is based on market conditions as of Q1 2018. Because market conditions change over time, the results of this analysis should be updated annually to ensure that City policies reflect changes in market conditions.

1.2 Professional Disclaimer

This document may contain estimates and forecasts of future growth and urban development prospects, estimates of the financial performance of possible future urban development projects, opinions regarding the likelihood of approval of development projects, and recommendations regarding development strategy or municipal policy. All such estimates, forecasts, opinions, and recommendations are based in part on forecasts and assumptions regarding population change, economic growth, policy, market conditions, development costs and other variables. The assumptions, estimates, forecasts, opinions, and recommendations are based on interpreting past trends, gauging current conditions, and making judgments about the future. As with all judgments concerning future trends and events, however, there is uncertainty and risk that conditions change

or unanticipated circumstances occur such that actual events turn out differently than as anticipated in this document, which is intended to be used as a reasonable indicator of potential outcomes rather than as a precise prediction of future events.

Nothing contained in this report, express or implied, shall confer rights or remedies upon, or create any contractual relationship with, or cause of action in favor of, any third party relying upon this document.

In no event shall Coriolis Consulting Corp. be liable to the City of Victoria or any third party for any indirect, incidental, special, or consequential damages whatsoever, including lost revenues or profits.

2.0 Scope and Assumptions

The City is interested in determining the share of affordable housing units that can be provided by strata residential rezonings based on the increase in land value created by the bonus density available through rezoning. Therefore, we analyzed the financial performance of a variety of hypothetical strata residential rezonings in the City to estimate the increase in land value associated with the bonus density and the number of affordable rental units that could likely be supported by the increased land value.

There are a number of key assumptions underlying our approach and analysis:

1. The City wants to ensure that any new affordable housing unit requirement does not impact the viability of new development. The financial ability of new projects to provide affordable units is created by the value of any additional density that is available under the City's Density Bonus Policy. The greater the value of the additional density, the greater the amount of affordable housing that can be provided by a project. Therefore, our analysis focuses on projects that are in OCP designations where additional bonus density can be achieved through rezoning. We assume that projects which proceed under existing zoning or without any bonus density would not be expected to include affordable housing units. If affordable housing units were required at projects that are not seeking bonus density, it would significantly reduce the number of sites that are financially viable for redevelopment. This would likely reduce the amount of new housing supply in the City which, in the face of continued demand, can lead to market wide price increases for housing.
2. The estimated affordable housing potential from rezonings is based on the value of the increase in density between the OCP base density and the maximum OCP density, not on the increase in permitted density beyond existing zoning. There are a variety of different reasons that the City should use the base OCP density, not existing zoning, to determine the amount of affordable housing that is supportable from rezonings. Some of the key reasons include:

    - Many properties in the City that are identified in the OCP for increased height or density are not financially viable for redevelopment at the densities permitted under existing zoning. The additional density permitted at the base OCP density (beyond existing zoning) is often required to make sites financially viable for redevelopment. If amenity contributions (and affordable housing contributions) are based on the increase in land value from existing zoning to the maximum OCP density, then it will reduce the number of sites that are financially viable for redevelopment. This could reduce the pace of new housing development which would mean less new supply of all housing types in the City, including affordable housing.
    - The City's existing amenity contribution system calibrates amenity contributions based on the value of bonus density between the base OCP density and the maximum OCP density, not on the value of the increased density beyond current zoning. Therefore, the value of development sites in Victoria is calibrated to the base density permitted in the OCP. If there was a requirement to make an additional amenity (or affordable housing) contribution based on any increased density between current zoning and the base OCP density, it would negatively affect owners of development sites, particularly owners who have purchase land since the current base densities were adopted.
    - Each of the OCP designations that provide the opportunity for bonus residential density include a variety of existing zoning districts, each with different existing permitted densities. If amenity contributions (and affordable housing) are calculated based on the increased value created by

additional density beyond current zoning, then the amount of affordable housing potential within each OCP designation will vary by zoning district. This will limit the ability of the City to introduce an affordable housing policy that identifies a uniform target across an OCP designation. The City would need different affordable housing targets for each zoning district in each OCP designation, which would be complex to administer and update over time.

- There will be some types of rezonings where the land value under existing zoning is higher than the land value at the base OCP density. In these cases, the rezoning may not be able to support the full affordable housing contribution[1].

3. The cost of the affordable housing contribution is based on a maximum of 75% of the increase in land value generated by the bonus density. This is consistent with the City's approach to negotiated amenity contributions.

4. The City's affordable housing targets for individual projects are based on a percentage of units in each project rather than floorspace. If the affordable housing units are smaller than the market units, the affordable housing will make up a smaller share of floorspace than units.

5. The amount of affordable housing that is supportable at each project will be influenced by factors that affect the cost of creating the units, such as the size of the affordable housing units and the mix of affordable housing units (studio, 1BR, 2BR, 3BR). Based on information provided by the City of Victoria, our analysis makes the following assumptions about unit mix and size.

Exhibit 1: Affordable Housing Unit Sizes and Distribution by Unit Type

Unit Type	Share of Units	Average Size (sf)
Studios	45%	450
1-Bedroom	35%	575
2-Bedroom	15%	775
3-Bedroom	5%	1000
Total	100%	570

6. The amount of affordable housing that is supportable at each project will be influenced by factors that affect the value of the completed affordable units, such as rents. Based on information provided by the City of Victoria, our analysis includes an assessment of three below market rental rate scenarios. These include:
   - 80% of average 2017 CMHC rents for purpose built rental units.
   - 100% of average 2017 CMHC rents for purpose built rental units.
   - 120% of average 2017 CMHC rents for purpose built rental units.

Exhibit 2: Affordable Housing Unit Rents by Unit Type

Unit Type	Scenario 1: 80% of CMHC Average Rents	Scenario 2: 100% of CMHC Average Rents	Scenario 3: 120% of CMHC Average Rents
Studios	$684	$855	$1,026
1-Bedroom	$793	$991	$1,189
2-Bedroom	$1,058	$1,323	$1,588
3-Bedroom	$1,374	$1,718	$2,062
Total	**$813**	**$1,016**	**$1,219**

[1] For example, a site may have an existing value that is higher than the land value supported by the base OCP density (due to the value of existing improvements or due to a high land value under existing zoning).

7. The affordable housing units can be retained by the developer or sold to another party (investor or non-profit operator). The value of these units would be based on the net income generated by the units and/or the mortgage that could be supported by the income from each unit. Because the rents will be low, these units will have a much lower market value than strata units. We assume that the affordable housing units will not be dedicated to the City as this would mean that the developer cannot realize any value from these units. This would significantly increase the net cost of the affordable housing units to the developer and decrease the amount of affordable housing that can be provided by a project.

8. The annual rents for the affordable units will be permitted to increase at CPI plus 2 percentage points (which is the same as permitted under the Residential Tenancy Act at the time of this report[2]). It is possible that the annual operating costs and property taxes for the affordable units will increase at a faster rate than rents. If this continues over a long period of time, the income generated by the affordable units could decrease. The City should consider a mechanism to ensure that the owners of the affordable units can apply for rent increases (beyond the permitted RTA rent increases) when there are extraordinary unanticipated capital costs associated with ownership or if operating costs increase faster than rents for a protracted period of time. This should be addressed in any housing agreements that regulate the provision and operation of the affordable units.

9. The affordable housing units use all of the financial room available for amenity contributions. Therefore, our analysis assumes there are no other amenity contributions expected from a project.

10. Purpose-built rental projects will not be required to provide affordable rental units. Under current market conditions, most (or all) market rental projects cannot support a contribution toward community amenities (or affordable) housing at the maximum densities permitted in the OCP. Therefore, if market rental projects are required to include affordable units, it will negatively affect the financial viability of rental development and reduce the pace of new rental housing development in the City. The only possible exception would be market rental projects that are rezoned to allow densities beyond the current OCP maximum.

11. Heritage projects and non-residential projects will also be exempt from any affordable housing requirement.

[2] After our analysis was completed, the Provincial government changed the rent regulations in the Residential Tenancy Act to restrict annual rental increases to a maximum of the CPI.

3.0 Study Area and Existing Density Bonus System

This section identifies the study area for our analysis and provides an overview of the existing City of Victoria density bonus policy.

The study area is separated into two areas:

- **Downtown Core Area.** In the Downtown Core Area, there are eight specific subareas in the Core Area Plan and OCP which identify base densities and discretionary additional (bonus) density.
- **Outside the Downtown Core Area.** Outside the Downtown Core Area, there are four specific OCP Urban Place designations which identify base densities and discretionary additional (bonus) density.

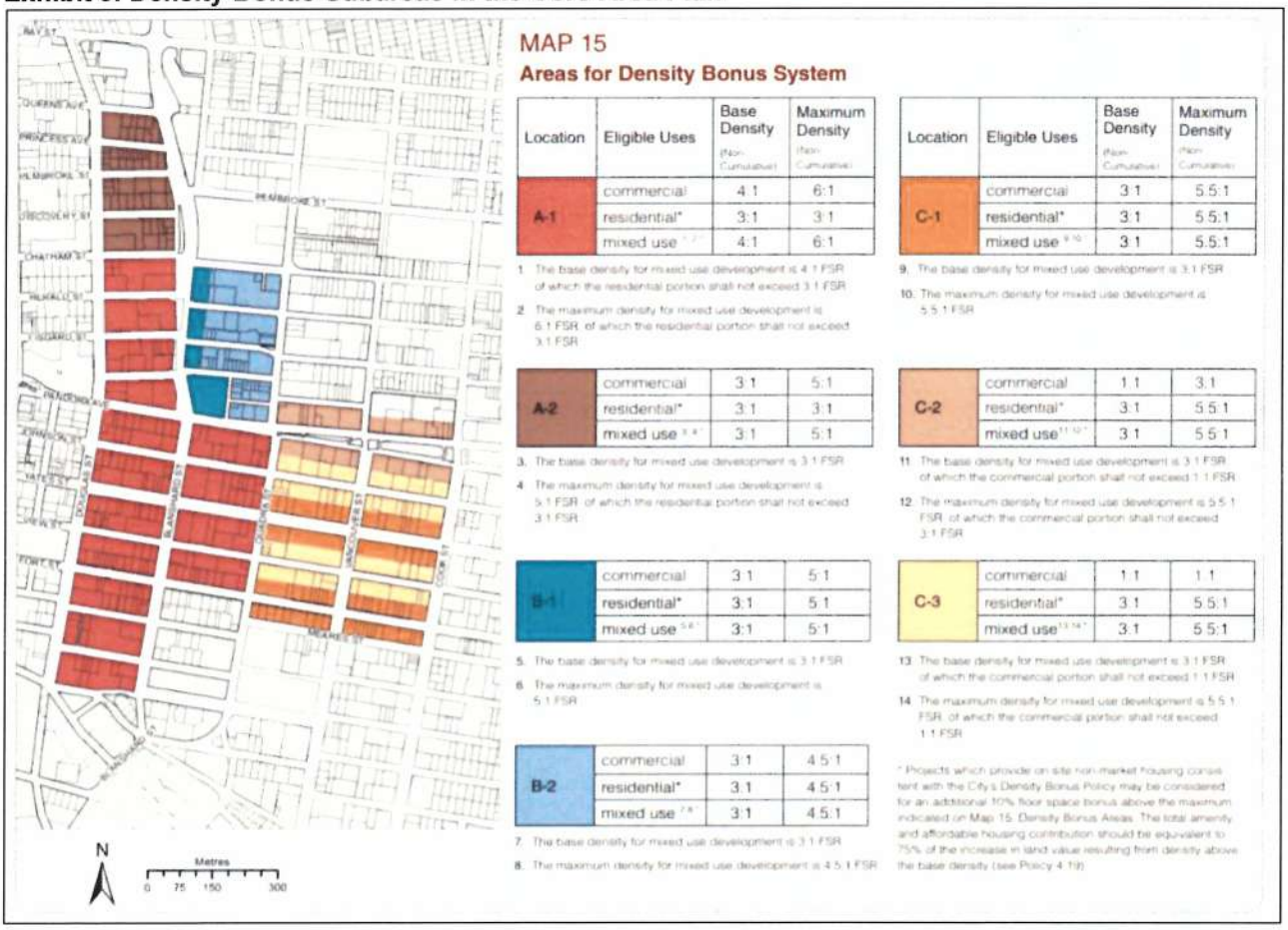
3.1 Downtown Core Area

The study area for our analysis of rezonings inside the Core Area includes:

- The locations identified in the Density Bonus Area in the Downtown Core Area Plan.[3] The Plan identifies seven different subareas which have a base density of 3.0 FSR with the opportunity for increased density up to a range of 4.5 FSR to 6.0 FSR depending on the subarea. The bonus density can only be used for increased commercial floorspace in two of the subareas (A-1 and A-2). In the other five subareas (B-1, B-2, C-1, C-2, C-3) it can be used for increased residential floorspace (or commercial in some instances). These seven subareas are shown on Map 1. The maximum density for residential in these locations is 5.5 FSR.
- After the Core Area Plan was adopted, an additional location in the Core was designated for density bonusing. Sites located immediately east of Cook Street and immediately south of Meares Street that are adjacent to density bonus subareas C-1, C-2 and C-3 are designated in the Official Community Plan (OCP) as Core Residential with base densities of 2.0 FSR and the opportunity for increased density up to approximately 3.5 FSR. The OCP indicates permitted heights in the range of 6 to 8 storeys depending on the location. The bonus density at these sites can be used for residential floorspace.

[3] Map 15 on page 39 of the Downtown Core Area Plan identifies the locations included in the density bonus system.

Exhibit 3: Density Bonus Subareas in the Core Area Plan



Source: City of Victoria

It should be noted that the study area excludes a large portion of the Downtown Core Area including the Historic Commercial area, the Inner Harbour area and most of Rock Bay. The City instructed us to assume that any rezonings (and associated amenity contributions, heritage agreements, or affordable housing contributions) in these areas will continue to be negotiated on a site-by-site basis.

Exhibit 4 (below) shows the locations that are excluded from density bonusing and are not part of our analysis.

Exhibit 4: Areas Inside the Core Area Plan Excluded from Study Area

Source: City of Victoria

The amenity contribution schedule for standard rezonings in the Core Area is summarized in Exhibit 5.

For rezonings in the Core Area requesting less than 30,000 square feet of bonus density, the applicant has the option of paying the fixed rate target or negotiating an amenity contribution, with the negotiated contribution equivalent to 75% of the additional land value created by the rezoning. Negotiation for on-site affordable housing is not expected for rezonings with less than 30,000 square feet of bonus density.

Exhibit 5: Amenity Contribution Schedule - Downtown Core Area

	Type of Amenity Contribution for Standard[4] Rezonings	Fixed Rate Target	On-Site Affordable Housing Negotiation Contribution Expected
Core Residential and Core Business requesting less than 30,000 square feet of bonus density	Fixed Rate or Negotiated CAC	$12 per square foot of bonus density	No
Core Residential and Core Business requesting more than 30,000 square feet of bonus density	Negotiated CAC	n/a	Yes

[4] City of Victoria Density Bonus Policy. October 27, 2016 (2) Amenity Contribution Schedule.

For rezonings requesting more than 30,000 square feet of bonus density, a negotiated amenity contribution is required based on 75% of the increased land value created by the bonus density. It is currently expected that the negotiated contribution will be used for on-site affordable housing or cash-in-lieu.

3.2 Outside of the Downtown Core Area

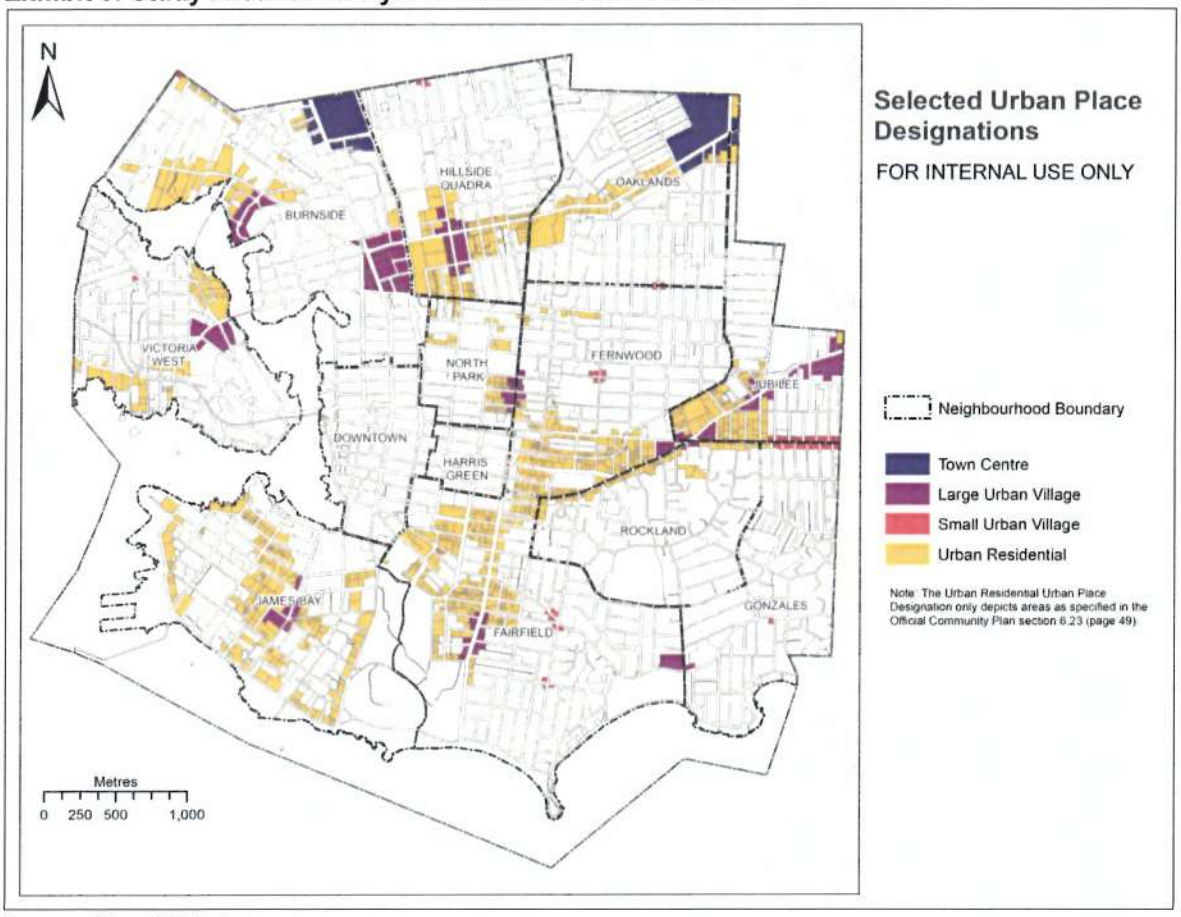
There are four urban place designations outside the Core Area with the opportunity for bonus density:

1. Town Centre, with base densities of up to 2.0 FSR and the opportunity for increased density up to approximately 3.0 FSR.
2. Large Urban Village, with base densities of up to 1.5 FSR and the opportunity for increased density up to approximately 2.5 FSR.
3. Small Urban Village, with base densities of up to 1.5 FSR and the opportunity for increased density up to approximately 2.0 FSR.
4. Urban Residential, with base densities of up to 1.2 FSR and the opportunity for increased density up to approximately 2.0 FSR.

The location of the four OCP land use designations is shown in Exhibit 6.

For this analysis, we have focused on case studies located in the Urban Residential and Large Urban Village designation as these have been the focus of rezonings outside the Core Area.

Exhibit 6: Study Area for Analysis Outside of the Core Area



Source: City of Victoria

The amenity contribution schedule for standard rezonings in the four land use designations outside of the Core Area is summarized in Exhibit 7.

For rezonings in the Urban Residential and Large Urban Village designations, the applicant has the option of paying the fixed rate target CAC or negotiating an amenity contribution, with the negotiated contribution equivalent to 75% of the additional land value created by the rezoning. The fixed rate target is $5 per square foot. No on-site affordable housing contribution is expected from rezonings in these areas.

No amenity contribution is sought for rezonings in the Small Urban Village designation. For rezonings in the Town Centre designation, a negotiated amenity contribution is required based on 75% of the increased land value due to the bonus density. It is anticipated that the negotiated contribution will be for on-site affordable housing or cash-in-lieu.

Exhibit 7: Amenity Contribution Schedule - Outside of Downtown Core Area

	Type of Amenity Contribution for Standard Rezonings	Fixed Rate Target	On-Site Affordable Housing Contribution Negotiation Expected
Urban Residential	Fixed Rate or Negotiated CAC	$5 per square foot	No
Small Urban Village	n/a	No Amenity Contribution	No
Large Urban Village	Fixed Rate or Negotiated CAC	$5 per square foot	No
Town Centres	Negotiated CAC	n/a	Yes

4.0 Approach to Analysis

This section outlines the urban land economics rationale for the inclusion of affordable rental housing in new projects and then describes the approach we used for the financial analysis for each case study site.

4.1 Urban Land Economics Rationale

The reason that development projects are able, in financial terms, to provide amenities, such as affordable housing, in exchange for additional development rights is that the additional development rights achieved via rezoning (or bonus density zoning) have value. Otherwise, a developer could not absorb the cost of the affordable housing.

When a developer acquires a development site, the developer is buying land of course, but in land economics terms the developer is buying the development entitlements that go along with the land (in the form of zoning). The amount a developer is able to pay for a property is in large part a function of the type and amount of development likely to be approved and the anticipated financial performance of that development.

To illustrate the impact of an affordable housing requirement in land economics terms, Exhibit 8 shows simplified financial analysis for a hypothetical development project (in this case a strata apartment development) under four different scenarios:

- The first scenario assumes the site is zoned for 75 strata apartment units.
- The second scenario assumes the site is up-zoned to allow 100 strata apartment units with no affordable housing.
- The third scenario assumes the site is up-zoned to allow 100 apartment units with a requirement that 10% of the units are affordable housing units.
- The fourth scenario assumes the site is up-zoned to allow 100 apartment units with a requirement that 15% of the units are affordable housing units.

The site is assumed to be improved with an existing commercial building that has a market value of about $11.5 million based on the net income generated by the building (i.e. the value of the property if sold to an investor). In all four scenarios, the site size, the assumed average selling price of individual units (measured in dollars per square foot), and the assumed construction cost (measured in dollars per square foot) are the same.

Please note that all of the figures shown in the exhibit are for illustrative purposes only and are not intended to be reflective of actual market values or costs. The figures in the exhibit are not the figures used in our analysis and are provided simply to illustrate the impact of an affordable housing contribution on the economics of development and on land values. The actual figures used in the analysis are summarized in the attachments in Section 9.0 and vary on a site by site basis.

Exhibit 8: Redevelopment Economics for Hypothetical Apartment Project (Illustrative only)

	Scenario 1	Scenario 2	Scenario 3	Scenario 3
	Site zoned for 75 unit apartment project	Site up-zoned to 100 units, no affordable units	Site up-zoned to 100 units with 10% affordable units (10 units)	Site up-zoned to 100 units with 15% affordable units (15 units)
Revenue				
Strata Units ($660K per unit)	$49,500,000	$66,000,000	$59,400,000	$56,100,000
Affordable Units ($240K per unit)	$0	$0	$2,400,000	$3,600,000
Total Revenue	$49,500,000	$66,000,000	$61,800,000	$59,700,000
Less Costs				
Marketing/commissions (5% of strata revenue)	$2,475,000	$3,300,000	$2,970,000	$2,805,000
Cost of rezoning	0	$150,000	$150,000	$150,000
Hard & soft costs strata units ($400K per unit)	$30,000,000	$40,000,000	$36,000,000	$34,000,000
Hard & soft costs for affordable units ($260K per unit)[5]		$0	$2,600,000	$3,900,000
Less Profit Allowance (15% of costs)	$6,454,800	$8,606,400	$8,058,700	$7,784,900
Equals Land Value Supported by Development	**$10,570,200**	**$13,943,600**	**$12,021,300**	**$11,060,100**
Value under existing use	$11,500,000	$11,500,000	$11,500,000	$11,500,000
Increase over existing value	-$929,800	$2,443,600	$521,300	-$439,900
Viable for redevelopment	no	yes	yes	no

Scenario 1 is the base case and shows how this project performs, in financial terms, under existing zoning. The developer in this case earns a typical profit margin (calculated as a margin of 15% of total costs), if the developer pays a maximum of $10.6 million for the site. However, the existing use supports a value of about $11.5 million (if sold to an investor) so the site is not attractive for redevelopment at the required profit margin. It is important to note that this is not always the case as some sites are financially attractive for redevelopment under existing zoning. However, this result is often the situation for existing low density commercial buildings in Victoria.

Scenario 2 shows how the project would perform if the site is rezoned to allow a higher density project without providing any affordable housing (or a community benefit/amenity contribution). The project is bigger so the total revenue from unit sales, total cost, total profit, and total supportable land value are of course higher (proportionately). However, it is important to note that the profit margin is the same (15% of costs). The

[5] The affordable units are assumed to cost less to construct than the strata units because the affordable units are smaller, have less parking, and include less costly appliances and fixtures. In addition, affordable units could have fewer bathrooms in 2 and 3 bedroom units than the strata units.

developer's ability to pay for the property increases to $13.9 million (or $2.4 million more than the existing value of $11.5 million) because it allows a larger project (more density). This is higher than the site's value under existing use as a commercial investment property, so there is an incentive for the existing owners to sell and the site is now financially attractive for redevelopment.

In this case, the rezoning creates additional density and value which makes a site viable for redevelopment that was not viable for development under existing zoning (Scenario 1). The question now is whether the project can also support affordable housing (or an amenity contribution).

Scenario 3 shows how the project would work if the site is rezoned with a requirement for 10% of the units to be affordable housing units. The project is now the same size as in Scenario 2, but the value of the affordable housing units is lower than the strata units so the total revenue in Scenario 3 is lower. This illustrates that:

- The project is still financially viable to the developer.
- The project includes 10 affordable housing units (10%).
- The developer can afford to pay $12.0 million, which is higher than the $11.5 million existing property value. This still creates the opportunity for the developer to offer an incentive ($500,000) to the existing property owner to make their property available for redevelopment.

Scenario 4 shows how the project is no longer viable when the amount of affordable housing units is increased to 15% of total units. The project is the same size as Scenarios 2 and 3, but the additional 5 affordable units reduces the value the developer can pay to acquire the site to less than the existing value of the site.

These scenarios illustrate key points about rezonings and affordable housing requirements:

1. With the affordable housing requirement, the rezoning is still attractive to the developer in Scenario 3, who earns the same profit margin in Scenarios 2 and 3 (15% of costs). The difference is that the developer cannot pay the same amount to the land owner in Scenario 3 as in Scenario 2.
2. The amount of the affordable housing is limited by the value created by the additional bonus density.
3. Land owners often require an incentive to sell their property (particularly if the site is not vacant). The financial impact of the affordable housing requirement should be less than the additional value created by the rezoning to create an incentive for the property owner to sell to the developer.
4. In Scenario 4, the addition of 5 affordable housing units reduces the value the developer can pay below the existing value of the site so the site is no longer attractive as a development site. This shows how the amount a developer can pay for a site is highly sensitive to the number of affordable housing units that are required at a project.
5. The additional land value created by the bonus density:
    - Can make redevelopment of a site financially viable when it is not viable under existing zoning.
    - Creates the potential for the inclusion of affordable housing units or the potential for a community benefit/amenity contribution (or both).
    - Creates an incentive to the existing owner to sell the property for redevelopment, if the affordable housing requirement is set appropriately.
6. The inclusion of the affordable units does not change the price of the market strata units (the market units in Scenario 3 and 4 sell for the same price as in the other scenarios) because strata prices are set by supply and demand in the marketplace.

7. The affordable units will have a much lower value than the market strata units.

4.2 Approach to Financial Analysis for Case Study Sites

To estimate the share of affordable housing units that are supportable at new strata apartment projects, we analyzed the financial viability of redevelopment of different case study sites in select OCP Urban Place designations. Some projects will have the financial room to provide a greater share of affordable units than other projects due to the amount of bonus density permitted under the OCP and/or the cost of creating the affordable units (for example, creation costs will be lower for woodframe projects than concrete projects). Therefore, we tested several case studies that represent a cross-section of the different land use categories, locations, zoning districts and existing uses in the City. We evaluated the affordable housing potential at three case studies in the Downtown Core Area and four case studies outside of the Downtown Core Area. In total, we examined seven case study sites for the financial analysis.

The three case studies in the Downtown Core Area are in the Urban Core Residential designation and the four case studies outside of the Downtown Core Area are in the Urban Residential and Large Urban Village designations. The sites are improved with older, low density improvements, similar to the types of properties that have been the focus of redevelopment in the City.

The three case study sites in the Downtown Core Area are summarized in Exhibit 9.

Exhibit 9: Case Study Sites in the Downtown Core Area

Case Study #	Site Address	Neigh-bourhood	Total Assembled Site Size (SF)	Zoning	OCP Designation	Base OCP Density (FSR)	Maximum OCP Bonus (FSR)	Total Maximum Density (FSR)
1	800 Block Fisgard Street	Downtown Core	20,426	R3-C	Urban Core Residential	3.0	2.0	5.0
2	1800 Block Blanshard Street	Downtown Core	21,780	S-1	Urban Core Residential	3.0	2.0	5.0
3	1100 Block Yates Street	Downtown Core	16,554	C-1	Urban Core Residential	2.0	1.5	3.5

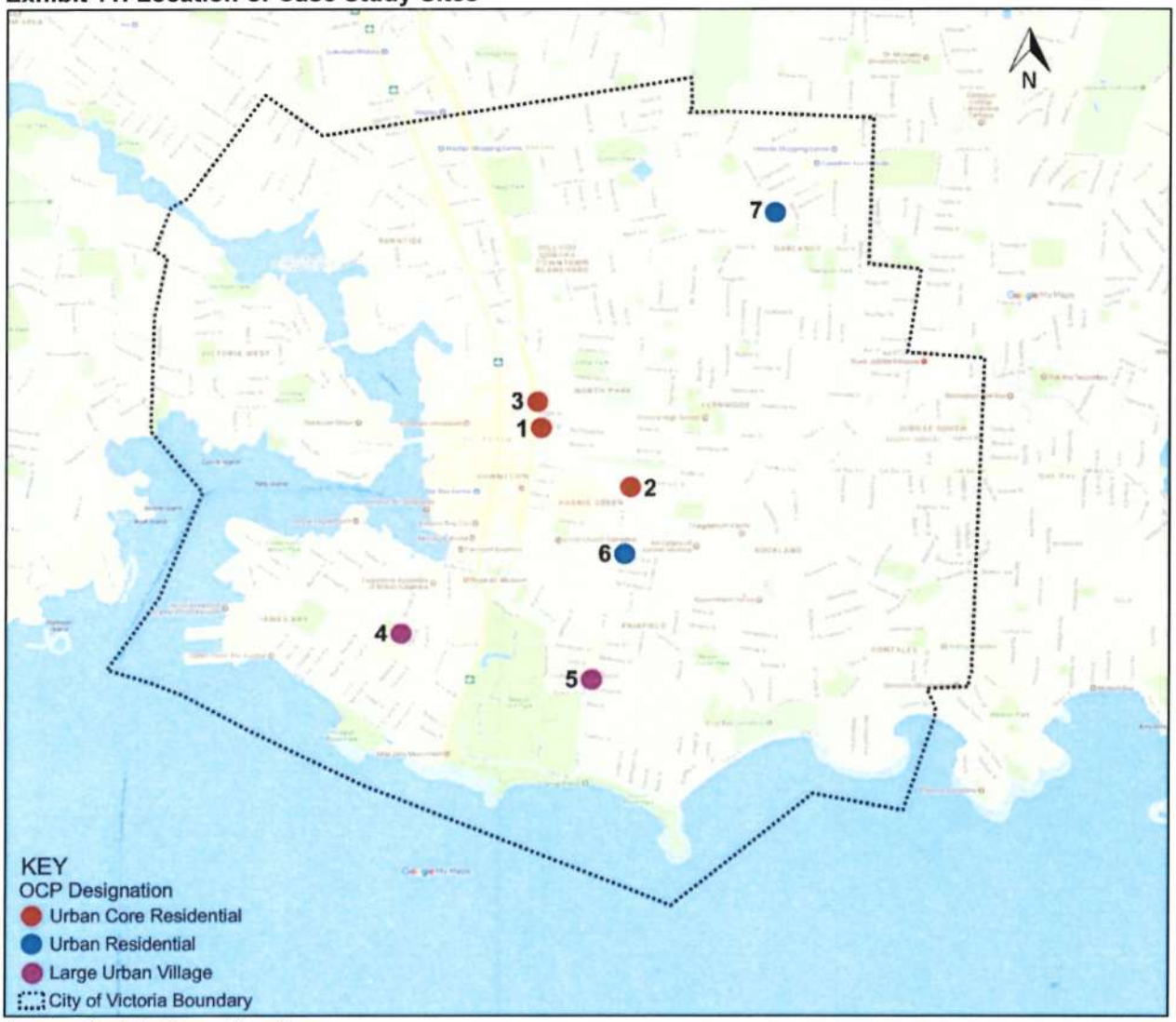
The four case study sites outside of the Downtown Core Area are summarized in Exhibit 10.

Exhibit 10: Case Study Sites Outside of the Downtown Core Area

Case Study #	Site Address	Neigh-bourhood	Total Assembled Site Size (SF)	Zoning	OCP Designation	Base OCP Density (FSR)	Maximum OCP Bonus (FSR)	Total Maximum Density (FSR)
4	1400 Block Hillside Avenue	Hillside	24,100	R1-B	Urban Residential	1.2	0.8	2.0
5	1100 Block Burdett Avenue	Fairfield	12,120	R1-B	Urban Residential	1.2	0.8	2.0
6	200 Block Menzies Street	James Bay Village	12,947	C1-S	Large Urban Village	1.5	1.0	2.5
7	200 Block Cook Street	Cook Street Village	34,872	CR-3M	Large Urban Village	1.5	1.0	2.5

The location of each site is shown in Exhibit 11.

Exhibit 11: Location of Case Study Sites



Source: Coriolis Consulting Corp.

4.3 Approach

Using proforma analysis, we analyzed the financial performance of rezoning and redevelopment of each case study site to estimate the amount of affordable housing that could be supported from rezoning to the maximum densities identified for each OCP Urban Place designation.

Our analysis was completed using the following main steps:

1. We identified case study sites for the financial analysis. Sites were improved with older, low density commercial/service buildings or older single family homes, similar to the types of properties that have been the focus of development in the density bonus policy areas over the past several years. The sites were selected to represent a cross-section of the different land use categories, locations, zoning districts and existing uses in the City.
2. We estimated the existing value of each case study in the absence of any bonus density. For this estimate, we considered three different values:
    a. The value supported by the existing use:
        - For income producing properties (commercial uses), this is the capitalized value of the net income stream generated by the existing improvements. This is the value that an investor would be willing to pay for the property to retain the existing improvements and collect rent for the long term. This is the minimum price that a developer would need to pay for the site to acquire it for redevelopment purposes.
        - For existing single family (or duplex) properties, this is the value of the property as an existing residence. For residential properties that require assembly, we assume that the developer would also need to pay a premium over existing value in order to create an incentive for the existing home owner to sell for redevelopment. The amount of the required assembly premium would vary from property to property. Our analysis assumes that an additional 20% to 25% of value is ample to create an incentive for existing home owners to sell for redevelopment. Some owners may require less and some may not be interested in selling even at a higher premium (which suggests the site is not yet a development candidate.

    b. The land value under existing zoning.

    c. The land value under the base OCP density.

    The highest of these three indicators is the existing market value of the site. The higher of (b) or (c) is the existing land value of the site. The existing City of Victoria density bonus policy seeks amenity contributions based on the increase in land value supported by the rezoning so we used the higher of (b) or (c) as the base value in the amenity contribution calculation.[6]
3. We estimated the rezoned land value at the maximum density identified in the OCP, with all the permitted bonus density but without any amenity contribution (or affordable housing).
4. We calculated the increase in land value associated with the rezoning and the amount of the potential amenity contribution at 75% of the estimated increase in land value. For most of the case study sites, the land value (2b or 2c) is higher than the value supported by the existing use (2a) so these sites are

[6] City of Victoria Density Bonus Policy. October 27, 2016. (3) Base and Maximum Densities.

financially viable for redevelopment. For the sites where the existing use value (2a) is higher than the land value, we still calculated the supportable affordable housing contribution based on the estimated increased land value due to the bonus density as this is consistent with the City's amenity contribution policy. However, it should be noted that these sites may not be financially viable for redevelopment with the affordable housing component until such time as the land value under the base density equals (or exceeds) the value supported by the existing use.

5. We estimated the amount of affordable housing that could be funded by the total value of the amenity contribution for each of the below market rent scenarios (i.e. 75% of the estimated increase in land value associated with the bonus density). The affordable housing component is assumed to replace space that would otherwise have been used for strata residential. Because the affordable housing has less value per square foot than the strata residential space, it negatively impacts the financial performance of the overall project and reduces the estimated increase in value associated with the bonus density. We completed this in two steps:

   - First, we determined whether each rezoning could support a 25% share of affordable housing units because this was the City's target for the share of affordable units to be delivered at strata residential rezonings.
   - Second, because none of the case studies could support a 25% share of affordable housing units, we calculated the maximum share of affordable housing units which could be supported at each strata residential rezoning. We calculated the amount of affordable housing which would reduce the supportable land value of the rezoning by an amount equal to the calculated amenity contribution. The target land value for the affordable housing scenarios is equal to the base density land value plus a 25% share of the increased land value associated with rezoning (assuming no amenity contribution or affordable housing).

   This report focuses on the second estimate. Our estimates assume that all of the calculated amenity contribution value is used to fund affordable housing, leaving no room for contributions toward other amenities.

6. Because the calculations are sensitive to changes in assumptions about market variables (revenues and costs) and building design (efficiency, maximum density), we completed sensitivity analysis which tested how the share of affordable housing units supported by the rezoning would change if key assumptions changed at select case study sites. We tested changes to key market variables that could realistically occur over a relatively short time period (say one year). Changes that could occur over a longer time period would be addressed by the periodic updates to the policy that should be completed by the City. These scenarios tested include:

   - An increase in hard construction costs.
   - A reduction in the value of the affordable rental units.
   - An increased developer's profit margin.
   - A reduction in the net saleable to gross buildable area of a building (i.e. efficiency).
   - A reduction in the achievable rezoned density.
   - A reduction in strata unit sales prices.

5.0 Summary of Base Case Financial Analysis

For each case study site this section summarizes:

- The address/neighborhood.
- The site size.
- The current use and current zoning.
- The base OCP density and maximum OCP density.
- The estimated value of the existing use.
- The estimated land value under existing zoning and/or base density. The higher of the two is the existing land value of the site and is bolded in Exhibit 12 & 13.
- The estimated land value at the maximum OCP density.
- The estimated target land value for the affordable housing scenarios which is the existing land value plus 25% of the estimated increase in land value associated with the rezoning (in the absence of any CAC or affordable housing). This assumes the remaining 75% of the increase in land value (or the amount of the amenity contribution) is supporting the affordable housing contribution.
- Affordable housing unit potential expressed in two ways, (a) the maximum number of affordable housing units supportable by the project and (d) the maximum share of affordable housing units in the total project.

This section summarizes the results of our base case financial analysis.

Because of the large number of sites and scenarios analyzed, we have not included the detailed proformas for each site and each scenario in this summary report.

5.1 Case Study Analysis

5.1.1 Downtown Core Area

Exhibit 12 summarizes our findings for the three case sites that we examined in the Downtown Core Area.

Exhibit 12: Summary of Financial Analysis for Downtown Core Area Sites

Site/Scenario	1	2	3	3
Address	800 Block Fisgard	1100 Block Yates	Blanshard	Blanshard
Location/Neighbourhood	Downtown	Downtown	Downtown	Downtown
Site Size (sf)	20,426	16,554	21,780	21,780
Current Use	1 & 2 storey office	1 Storey Retail	1 Storey Retail	1 Storey Retail
Zoning	R3-C	C-1	S-1	S-1
Density Assumed Under Existing Zoning	2.5***	1.4	1.5	1.5
OCP Designation	B2	Core Residential	C3	C3
Base OCP Density (FSR)	3.0	2.0	3.0	3.0
Maximum OCP Density (FSR)	5.0	3.5	5.0	5.5

Estimated Values					
1	Existing Use Value	$2,288,107	$2,829,867	$1,796,200	$1,796,200
2	Land Value Under Existing Zoning	***$7,456,701***	$2,707,041	$1,286,698	$1,286,698
3	Land Value at Base OCP Density	$4,096,029	***$3,686,182***	***$4,397,546***	***$4,397,546***
4	Land Value at Max OCP Density*	$8,559,875	$6,116,977	$9,086,806	$9,086,806
5	Target Land Value for AH Scenarios**	$7,732,494	$4,293,881	$5,569,861	$5,569,861

Estimated Maximum Achievable AH Units (Units)				
Affordable Housing Scenario 1	2	9	15	21
Affordable Housing Scenario 2	3	11	18	26
Affordable Housing Scenario 3	4	14	21	31

Estimated Maximum Achievable AH Units (Share)				
Affordable Housing Scenario 1	2%	16%	13%	17%
Affordable Housing Scenario 2	3%	19%	16%	20%
Affordable Housing Scenario 3	4%	24%	18%	24%

* assumes no CAC/DB contribution

**includes 25% of the land lift between Base OCP Density and Max OCP Density

***assumes maxiumum FSR in 6 storey woodframe is 2.5

****assumes woodframe construction

800 Block Fisgard Street

The site in the 800 Block of Fisgard is designated Core Residential – B2 which permits a base OCP density of 3.0 FSR and a maximum OCP density of 5.0 FSR. The site is financially viable for redevelopment under existing zoning.

If 75% of the additional land value created by the bonus density is allocated to affordable housing, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 2% or 2 units.
- Scenario 2: 3% or 3 units.
- Scenario 3: 4% or 4 units.

The low share of affordable units supported by this rezoning is due to the high land value under existing zoning (higher than base OCP land value). The existing R3-C zoning permits residential development up to

3.0 FSR depending on site coverage. However, because of the site coverage limitations specified in this zoning district, a building would need to be 10 storeys tall to achieve the full 3.0 FSR. Therefore, for the existing zoning scenario, we assumed the site would be redeveloped as a 5 or 6 storey woodframe apartment building at 2.5 FSR[7]. This supports a higher land value than a 10 storey 3.0 FSR building due to the lower construction costs associated with woodframe. If the site is being rezoned to 5.0 FSR (the maximum OCP density), the project would need to be concrete at the base OCP density of 3.0 FSR so the base OCP land value is lower than the existing zoning land value. The high land value under existing zoning means there is less increase in property value associated with rezoning to the maximum OCP density and a smaller potential affordable housing contribution.

1100 Block Yates Street

The site in the 1100 Block of Yates Street is designated Core Residential. It is in the area immediately east of Cook Street and immediately south of Meares Street and allows base densities of 2.0 FSR and a maximum OCP density of 3.5 FSR. The site is financially viable for redevelopment at the base OCP density.

If 75% of the additional land value created by the bonus density is allocated to affordable housing, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 16% or 9 units.
- Scenario 2: 19% or 11 units.
- Scenario 3: 24% or 14 units.

Redevelopment of this site supports a significant on-site affordable housing contribution as we assume the site is redeveloped using woodframe construction at the base and maximum OCP density. Based on input from City staff, our understanding is that 3.5 FSR could be achieved in 6 storeys in this location. If concrete construction was required to achieve 3.5 FSR, the number of affordable housing units supported by the maximum OCP density would be much lower.

1800 Block Blanshard Street

The site in the 1800 Block of Blanshard Street is designated Core Residential – C3 which permits a base OCP density of 3.0 FSR[8] and a maximum OCP density of 5.0 FSR. The site is financially viable for redevelopment at the base OCP density.

If 75% of the additional land value created by the bonus density is allocated to affordable housing, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 13% or 15 units.
- Scenario 2: 16% or 18 units.
- Scenario 3: 18% or 21 units.

[7] Densities higher than 2.5 FSR are achievable at 6 storeys using woodframe construction, but the site coverage restrictions in this zoning district limit the maximum achievable density.

[8] Our analysis assumes the site would be constructed using concrete at the base OCP density of 3.0 FSR. It is possible that an applicant could seek rezoning to 6 storeys and 2.5 to 3.0 FSR under the base OCP density. This would support a higher land value than we have estimated for the base OCP value which would reduce the calculated affordable housing potential contribution. However, we assume the City would not support rezoning to 6 storeys in the base case because the OCP identifies this site for high density development.

We also tested the impact of increasing the maximum OCP density to 5.5 FSR for this site because some sites in the Core Area have the opportunity for bonus density up to a maximum of 5.5 FSR.

If 75% of the additional land value created by the bonus density is allocated to affordable housing at 5.5 FSR, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 17% or 21 units.
- Scenario 2: 20% or 26 units.
- Scenario 3: 24% or 31 units.

5.1.2 Outside of the Downtown Core Area

Exhibit 13 summarizes our findings for the four case sites that we examined outside of the Downtown Core area.

Exhibit 13: Summary of Financial Analysis for Sites Outside of the Downtown Core Area

Site/Scenario	4	5	6	7
Address	200 Block Menzies	200 Block Cook	1100 Block Burdett	1400 Block Hillside
Location/Neighbourhood	James Bay	Fairfield	Fairfield	Hillside
Site Size (sf)	12,947	34,872	12,120	16,862
Current Use	1-Storey Retail	1-Storey Retail	2 SFD's	2 SFD's
Zoning	C1-S	CR-3M	R1-B	R1-B
Density Assumed Under Existing Zoning	1.4	1.0	n/a	n/a
OCP Designation	Large Urban Village	Large Urban Village	Urban Residential	Urban Residential
Base OCP Density (FSR)	1.5	1.5	1.2	1.2
Maximum OCP Density (FSR)	2.5	2.5	2.0	2.0

Estimated Values				
1 Existing Use Value	$2,420,768	$6,310,895	$2,709,641	$2,419,136
2 Land Value Under Existing Zoning	$2,031,434	$6,642,169	$2,143,210	***$1,508,700***
3 Land Value at Base OCP Density	***$2,182,660***	***$8,697,968***	***$2,519,242***	*$1,476,596*
4 Land Value at Max OCP Density*	$3,695,461	$12,244,030	$3,303,341	$2,182,045
5 Target Land Value for AH Scenarios**	$2,560,860	$9,584,483	$2,715,267	$1,677,036

Estimated Maximum Achievable AH Units (Units)				
Affordable Housing Scenario 1	4	12	2	2
Affordable Housing Scenario 2	5	15	3	3
Affordable Housing Scenario 3	6	19	3	4

Estimated Maximum Achievable AH Units (Share)				
Affordable Housing Scenario 1	13%	14%	8%	5%
Affordable Housing Scenario 2	16%	17%	11%	8%
Affordable Housing Scenario 3	19%	22%	11%	11%

* assumes no CAC/DB contribution
**includes 25% of the land lift between Base OCP Density and Max OCP Density
***assumes maxiumum FSR in 6 storey woodframe is 2.5
****assumes woodframe construction

<u>200 Block Menzies Street</u>

The site in the 200 Block of Menzies Street in James Bay Village is designated Large Urban Village which permits a base OCP density of 1.5 FSR and a maximum OCP density of 2.5 FSR. The site is not yet financially viable for redevelopment at the base OCP density of 1.5 FSR. The existing value of the site is the value supported by the existing use which is higher than the land value under existing zoning or the base OCP density.

However, we calculate the amount of the contribution based on the increase in land value supported by the rezoning as per City of Victoria density bonus policy. If 75% of the additional land value created by the bonus density is allocated to affordable housing, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 13% or 4 units.
- Scenario 2: 16% or 5 units.
- Scenario 3: 19% or 6 units.

This may overstate the affordable housing contribution which is supportable by the project under current market conditions as the increase in property value (taking into account the value that the existing improvements add to current value) associated with the rezoning is less than the increase in land value. As a result, our affordable housing contribution estimate implies that the project is allocating more than 75% of the increased property value to affordable housing.

200 Block Cook Street

The site in the 200 Block of Cook Street in Cook Street Village is designated Large Urban Village which permits a base OCP density of 1.5 FSR and a maximum OCP density of 2.5 FSR. The site is financially viable for redevelopment at the base OCP density.

If 75% of the additional land value created by the bonus density is allocated to affordable housing, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 14% or 12 units.
- Scenario 2: 17% or 15 units.
- Scenario 3: 22% or 19 units.

1100 Block Burdett Avenue

The site in the 1100 Block of Burdett Avenue is designated Urban Residential which permits a base OCP density of 1.2 FSR and a maximum OCP density of 2.0 FSR. The site is close to being financially viable for redevelopment at the base OCP density.

If 75% of the additional land value created by the bonus density is allocated to affordable housing, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 8% or 2 units.
- Scenario 2: 11% or 3 units.
- Scenario 3: 11% or 3 units.

1400 Block Hillside Avenue

The site in the 1400 Block of Hillside Avenue is designated Urban Residential which permits a base OCP density of 1.2 FSR and a maximum OCP density of 2.0 FSR. The property is more valuable under its existing use than at the maximum OCP density so this site is not a development site.

However, we calculated the amount of the potential affordable housing contribution based on the increased land value supported by the rezoning as this is consistent with the City of Victoria density bonus policy.

If 75% of the additional land value created by the bonus density is allocated to affordable housing, the maximum estimated share and number of affordable units which can be supported in each scenario is:

- Scenario 1: 5% or 2 units.
- Scenario 2: 8% or 3 units.
- Scenario 3: 11% or 4 units.

However, this site is not a viable development site as the value of the existing use is higher than the land value at the maximum OCP density. Under current market conditions this site could not support the calculated affordable housing contribution.

5.2 Summary of Findings

5.2.1 Downtown Core Area

1. In the Downtown Core, rezonings to the maximum OCP density can generally support on-site affordable housing contributions in the range of:[9]
    - 13% to 17% of total units if rents are 80% of CMHC average rents.
    - 16% to 20% of total units if rents are 100% of CMHC average rents.
    - 18% to 24% of total units if rents are 120% of CMHC average rents.
2. However, some sites cannot support a significant share of on-site affordable housing in the Downtown Core. This includes sites which have a high land value under existing zoning (or high value under existing use) so rezoning does not create significant additional land value. This is illustrated by case study site 1 in our analysis. If the City establishes a specific target for affordable housing outside of the Core, these types of sites will not be financially viable for rezoning until the land value under the base OCP density increases, due to changes in market conditions, to equal or exceed the value under existing zoning or existing use. If the City establishes a specific target for affordable housing from rezonings in the Core, it should consider a mechanism that allows developers of these types of sites to negotiate a smaller affordable housing contribution. Otherwise, rezonings of these sites will not be financially viable.

5.2.2 Outside of the Downtown Core Area

1. In the Large Urban Village designation, rezonings to the maximum OCP density can generally support on-site affordable housing contributions in the range of:[10]
    - 13% to 14% of total units if rents are 80% of CMHC average rents.
    - 16% to 17% of total units if rents are 100% of CMHC average rents.
    - 19% to 22% of total units if rents are 120% of CMHC average rents.

[9]These shares assume the unit size and mix outlined in Section 2.0.
[10]These shares assume the unit size and mix outlined in Section 2.0.

2. In the Urban Residential designation, rezonings to the maximum OCP density can generally support on-site affordable housing contributions in the range of:[11]

   - 5% to 8% of total units if rents are 80% of CMHC average rents.
   - 8% to 11% of total units if rents are 100% of CMHC average rents.
   - 11% of total units if rents are 120% of CMHC average rents.

3. However, some sites are not financially viable for redevelopment or cannot support a significant share of on-site affordable housing due to the high value of the existing use. If the City establishes a specific target for affordable housing outside of the Core, these types of sites will not be financially viable for rezoning until the land value under the base OCP density increases, due to changes in market conditions, to equal or exceed the value under existing use. Alternatively, the City could establish a low target for affordable housing units outside the Core to increase the number of sites that are financially viable for redevelopment.

[11]These shares assume the unit size and mix outlined in Section 2.0.

6.0 Sensitivity Analysis

Our base case financial analysis indicates that many rezonings could provide a significant share of units as affordable rental units. However, the results of the analysis are sensitive to a number of key variables. Therefore, we completed sensitivity analysis to test the impact of changes to six different key variables on the estimated amount of affordable housing that is supportable due the bonus density. The testing was based on comments we received from the representatives of the Victoria development industry. Each scenario was tested individually (not cumulatively).

6.1 Analysis

We considered the following sensitivity scenarios:

1. Scenario 1: Increased hard construction costs. One of the main comments we received from developers is that construction costs in Victoria have been increasing rapidly. Increased costs reduce the amount of affordable housing that a project can provide. Costs will vary from project to project depending on project specifics (height, parking, quality of finishings/fixtures, unit sizes, and other details). Our base case financial analysis uses construction cost estimates that are in the middle of the range of the different cost indicators we reviewed in early 2018. However, according to some developers, costs could be higher than we assumed. Therefore, we tested the impact of a $40 increase in hard costs, bringing the assumed construction costs to about $310 per square foot for woodframe projects and $395 to $400 per square foot for concrete projects (plus demolition, servicing, and landscaping). These higher cost assumptions are at the upper end of the range of construction cost estimates provided to us from developers who are active in the Victoria multifamily residential market. Other developers we contacted indicated costs are lower.

2. Scenario 2: Reduced value of affordable rental units. Our base case analysis assumes that the affordable units would have values in the range of $217 to $395 per square foot when completed (depending on the rental rate scenario). This is based on the estimated net operating income that would be generated by the average unit and the assumption that there would be purchasers interested in acquiring the units (either investors or non-profit operators). However, it is possible that the units will have a lower value if:

    - Operating costs are higher than we have assumed. This could be the case if there are only a small number of affordable units in a project resulting in inefficient management and increased operating costs. Alternatively, if the units are part of a strata corporation, the strata corporation could increase strata fees over time resulting in higher operating costs for the affordable units.
    - There is limited market interest from potential purchasers of the affordable units, including private investors and non-profit operators. A lack of interested buyers would push down prices for these units.

    Therefore, we tested a scenario that assumes:

    - Operating costs are about $1,500 per unit per year higher than we assumed (due primarily to higher management costs associated with managing a small number of units in a project) and
    - The purchase price of an affordable unit is equal to the mortgage that could be supported by the estimated net income (i.e., the purchaser does not invest any equity into the acquisition of the units and relies completely on mortgage financing).

Based on these changes, our sensitivity scenario assumes that the affordable rental units would trade at about a 40% discount to our base case value estimate. We would characterize this is a very conservative assumption, but we tested it to illustrate the impact of reduced affordable rental unit values.

3. Scenario 3: Increased required profit margin. Our base case analysis assumes that developers will require a 15% profit margin on total project costs (including land cost). However, developers indicated that a higher profit margin may be required from lenders if projects include affordable rental units due to the uncertainty about the value that will be generated by the affordable units. Therefore, we tested a scenario that assumes a project would require a profit margin of about 17.5% of project costs in order to obtain financing. It should be noted that a higher profit margin should not be required if conservative assumptions are used to value the affordable units, which is already assumed in Scenario 2.
4. Scenario 4: Reduced achievable density. Our base case analysis assumes that each project rezones to the maximum density permitted in the OCP. However, this may not always be possible due to community opposition to height and density and due to specific site characteristics (size, dimensions, topography, geotechnical conditions). Therefore, we tested the impact of a 10% reduction in the maximum assumed density (10% less than the maximum OCP density).
5. Scenario 5: A reduction in average strata unit sales prices of $25 per square foot. Market conditions vary over time which affects achievable sales prices at new projects. Our base case assumptions are consistent with sales prices in early 2018. However, our sensitivity analysis examines the impact of a $25 per square foot reduction in achievable strata unit sales prices.
6. Scenario 6: A reduction in the net saleable to gross buildable floor area of the apartment project. The ratio of net saleable (or rentable) area to gross buildable area varies from project to project. Most apartment projects can achieve a ratio of about 85% net to gross (and sometimes higher). However, our analysis tests the impact of a reduction in the net to gross ratio from 85% to 83%.

We tested the impact of these six variable on three of the case study sites:

1. A Core Residential site (1800 Block Blanshard).
2. A Large Urban Village site (200 Block Cook).
3. An Urban Residential site (1100 Block Burdett).

For each site, we tested the impact on the supportable number of affordable housing units using the rents assumed in affordable housing scenario 2 (100% of CMHC average rents).

The results of the analysis are shown in Exhibit 14. It should be noted that the impacts shown in the exhibit would be additive if multiple scenarios occurred simultaneously.

Exhibit 14: Summary of Sensitivity Analysis (assuming CMHC average rents for affordable units)

		1800 Block Blanshard Core Residential Site		200 Block Cook Large Urban Village Site		1100 Block Burdett Urban Residential Site	
		Estimated Maximum Affordable Housing		Estimated Maximum Affordable Housing		Estimated Maximum Affordable Housing	
		Units	Share of Units	Units	Share of Units	Units	Share of Units
Base Case		**18**	**16%**	**15**	**17%**	**3**	**11%**
1	Increased Construction Costs	11	10%	8	10%	0	0%
2	Reduced Affordable Unit Value	15	13%	11	13%	1	4%
3	Higher Required Profit Margin	12	11%	9	11%	1	4%
4	Reduced Rezoned Density	14	14%	10	13%	0	0%
5	Lower Strata Sales Revenue	13	12%	10	12%	0	0%
6	Reduced Saleable Floor Area	16	15%	11	13%	1	4%

For the Core Residential site:

- The estimated number of affordable units that can be supported in the base case scenario is 18 units or about 16% of the total number of units in the project.
- With increased construction costs as assumed in Scenario 1, the supportable affordable housing share declines by 6 percentage points to 10%.
- With the reduced value of the affordable rental units as assumed in Scenario 2, the supportable affordable housing share declines by 3 percentage points to 13%.
- With the requirement for an increased profit margin as tested in Scenario 3, the supportable affordable housing share declines by 5 percentage points to 11%.
- With a decline in the achievable rezoned density as tested in Scenario 4, the supportable affordable housing share declines by 2 percentage points to 14%.
- With a decline in the average strata sale price per square foot as assumed in Scenario 5, the supportable affordable housing share declines by 4 percentage points to 12%.
- If a reduction in the net saleable area as tested in Scenario 6, the supportable affordable housing share declines by 1 percentage points to 15%.

For the Large Urban Village site:

- The estimated number of affordable units that can be supported in the base case scenario is 15 units or about 17% of the total number of units in the project.
- With increased construction costs as assumed in Scenario 1, the supportable affordable housing share declines by 7 percentage points to 10%.
- With the reduced value of the affordable rental units as assumed in Scenario 2, the supportable affordable housing share declines by 4 percentage points to 13%.
- With the requirement for an increased profit margin as tested in Scenario 3, the supportable affordable housing share declines by 6 percentage points to 11%.
- With a decline in the achievable rezoned density as tested in Scenario 4, the supportable affordable housing share declines by 4 percentage points to 13%.

- With a decline in the average strata sale price per square foot as assumed in Scenario 5, the supportable affordable housing share declines by 5 percentage points to 12%.
- If there is a reduction in the net saleable area as tested in Scenario 6, the supportable affordable housing share declines by 4 percentage points to 13%.

For the Urban Residential site:

- The estimated number of affordable units that can be supported in the base case scenario is 3 units or about 11% of the total number of units in the project.
- With increased construction costs as assumed in Scenario 1, the supportable affordable housing share declines to zero.
- With the reduced value of the affordable rental units as assumed in Scenario 2, the supportable affordable housing share declines by 7 percentage points to 4%.
- With the requirement for an increased profit margin as tested in Scenario 3, the supportable affordable housing share declines by 7 percentage points to 4%.
- With a decline in the achievable rezoned density as tested in Scenario 4, the supportable affordable housing share declines to zero %
- With a decline in the average strata sale price per square foot as assumed in Scenario 5, the supportable affordable housing share declines to zero %
- If a reduction in the net saleable area as tested in Scenario 6, the supportable affordable housing share declines by 7 percentage points to 4%.

6.2 Key Findings

This analysis shows that the calculated share of affordable housing that is supportable by each rezoning is highly sensitive to changes in the variables that we tested.

Our view is that the biggest risks that should be considered when determining any affordable housing requirement are:

- Upward pressure on construction costs as cost have been rising in the Victoria market.
- Uncertainty about the likely value of the affordable rental units as this will be an untested product in Victoria and it is unclear whether there will be interest from potential purchasers (non-profit operators and private investors).

The other variables we tested could also have an impact on the amount of affordable housing that can be supported by a rezoning. However, we assume that the impact of significant changes in strata sales prices can be addressed by periodic updates to any affordable housing requirement implemented by the City. The other variables we tested will likely vary from project to project making them difficult to address within a policy approach that specifies a fixed contribution. These variables could be better addressed if the contribution was negotiated on a site-by-site basis.

Exhibit 15 summarizes the likely maximum impact of increased construction costs and reduced affordable rental unit values on the calculated supportable share of affordable rental units at projects in the different OCP designations (assuming CMHC average rents for the affordable units). We would characterize the impacts outlined in Exhibit 15 as the maximum anticipated impact. The actual impact could be smaller.

Exhibit 15: Maximum Impact of Increased Costs and Reduced Affordable Unit Values (Assumes CMHC Average Rents)

OCP Designation	Base Case	1: Maximum Impact of Increased Construction Costs	Revised Share of Affordable Housing With Higher Costs	2: Maximum Impact of Reduced Affordable Rental Values	Revised Share of Affordable Housing With Higher Costs and Lower Affordable Unit Value
Core Residential	16% to 20%	6 percentage points	10% to 14%	3 percentage points	7% to 11%
Large Urban Village	16% to 17%	7 percentage points	9% to 10%	4 percentage points	5% to 6%
Urban Residential	8% to 11%	More than 11 percentage points	zero	7 percentage points	zero

We think that the revised supportable affordable housing shares shown in Exhibit 15 likely overstate the total impact of these two items because:

1. Construction costs will not necessarily be as high as assumed in our sensitivity analysis.
2. The City can mitigate the uncertainty about the affordable housing unit values by:
    - Including a provision in any housing agreements to allow rents to increase if operating costs and taxes increase at more than CPI for an extended period of time. Otherwise, it is possible that the income generated by the affordable rental units will decline over time, making it difficult to obtain mortgage financing and/or maintain the units.
    - Encouraging non-profit operators to purchase units, either through grants from the City's housing reserve fund or other municipal incentives.
    - Allowing affordable ownership instead of affordable rental.

6.3 Implications for Policy

Taking into account our base case financial analysis and the sensitivity testing, we think that:

1. Rezonings in the Core Residential and Large Urban Village designations could be considered for an affordable housing requirement. Even with a large increase in construction costs, our sensitivity analysis indicates rezonings in these designations can support an affordable housing component in the range of about 10% to 15% of all units. If affordable rental units have lower values than assumed in our base case, it would further reduce the estimated supportable share of affordable units (however, as outlined in Section 6.2, this impact can be mitigated by the City). Given that this is would be a new product in the market, the City should monitor the value of the affordable units over time and revise the policy as-needed.
2. Rezonings in the Urban Residential designation should not be required to provide affordable rental units. These types of rezonings cannot support any material affordable housing component under any of the scenarios we tested in the sensitivity analysis. The results are particularly sensitive to increased construction costs. Rezonings in the Urban Residential designation should provide cash amenity contributions rather than affordable units.

7.0 Other Factors to Consider

In addition to the results of the case study financial analysis, there are other factors that the City should consider when deciding whether to require on-site affordable housing from rezonings, including:

1. **Minimum affordable housing threshold**. The inclusion of on-site affordable rental units will require negotiation with developers about unit sizes, mix and location and will increase the administration and legal load on the City (and create management issues for developers of the units). In addition, if a project only includes a small number of affordable rental units, management of the units will be inefficient and costly. Therefore, the City should establish a minimum project threshold, below which projects would provide a community amenity contribution rather than affordable units. The CAC could be allocated to the City's affordable housing reserve fund.

2. **Preference of non-market housing providers.** Non-market housing providers typically prefer to own and manage affordable rental units in stand-alone buildings rather than units within a mixed market and non-market building, particularly if the building only includes a small number of non-market units. There are a few reasons for this:

   - Management of a small number of units in a building is inefficient and costly.
   - Non-profit operators would not control decisions about building operations and maintenance so decisions by the strata corporation could negative affect the non-profit from a financial perspective. For example, operating costs could increase faster than rents which reduces income from the units. This could create constraints on obtaining financing and/or maintaining the units without a government subsidy.
   - The non-profit does not control decisions about the long term use of the overall property (which can be important when it is time to renovate, expand or redevelop).

3. **Preference of private developers**. Private developers would prefer to make cash contributions to help fund affordable housing throughout the community rather than build a small number of affordable rental units within a strata project.

4. **Administration and enforcement**. If the City requires on-site affordable housing units as an amenity contribution, there will be an increased administrative and legal load on City staff to ensure that the affordable units are being rented at the correct rental rates and that the units are being made available to the intended income groups. There will also be a need to negotiate with developers during the rezoning process about the location of the affordable housing units in the project, the mix of bedroom types, and unit sizes.

5. **Potential exceptions**. Every project is unique and it may not be financially viable for some projects to provide affordable units due to unique circumstances (such as limited opportunity for bonus density or unusual/unique development costs associated with the project). Therefore, the City should consider a mechanism to consider approval of projects that cannot meet the targeted affordable housing requirement.

6. **Impact on strata development site land values**. We would expect an affordable housing requirement to have a downward influence on the value of existing strata development sites in the City. The amount of the contribution assumed in our analysis equals 75% of the estimated increase in land value associated with the bonus density. This is significantly higher than the fixed rate contribution that rezonings currently have the option of paying. The existing fixed rates were established based on market conditions in

2014/2015 and have not been updated so they are significantly lower than 75% of land lift under current market conditions. Therefore, any introduction of a new requirement should include a grace period for projects that are currently being planned. The City should ensure that all stakeholders (property owners, real estate industry professionals, developers, etc.) are aware of any proposed changes to the existing policy. In addition, developers should be given significant notice before any changes are implemented. This will give applicants that have already purchased property the opportunity to make an application under the existing policies without facing the financial impact associated with an increased affordable housing or community amenity contribution.

7. **Availability of development sites in Victoria**. It is difficult to acquire development sites (particularly in the Core) as there are a relatively small number of sites designated for high density development and the sites are often held by long term owners with little interest in selling. The higher the affordable housing requirement, the less developers will be able to offer for development sites. This will make it increasingly difficult to acquire development sites and may slow development in the City. If the affordable housing requirement is too high, there will be little interest from developers in rezoning properties in Victoria for a period of time.

8. **Changes in market conditions**. Our sensitivity analysis illustrates that increases in construction costs or decreases in unit values reduce the amount of affordable rental that can be provided by rezonings. Therefore, the impact of any affordable housing targets on the viability of development should be monitored over time.

8.0 Conclusions

8.1 Key Findings

1. It is financially viable for some types of strata residential projects seeking bonus density to provide on-site affordable rental housing units instead of contributions toward other amenities.
2. The amount of affordable rental housing that can be provided by rezonings will depend on:
   - The amount of bonus density provided.
   - The required rents for the affordable housing units. The lower the rents which are required, the less affordable housing which can be provided as a contribution.
   - Permitted increases in rents over time.
   - The unit size and mix of the affordable housing units. The larger the affordable units, the fewer units which can be provided as a contribution.
   - Market conditions (achievable revenues and costs) at the time the project is being considered.
3. The amount of affordable housing that is viable (as a share of total units) is higher at rezonings in the Core Residential designation and the Large Urban Village designation than at Urban Residential sites, primarily because the Urban Residential designation provides less bonus density and the value of most Urban Residential sites under existing zoning (single family) is relatively high (per square foot). In addition, the smaller sized rezonings in the Urban Residential designation are more sensitive to changes in construction costs and other key financial variables than the larger projects in the Core or at Large Urban Village sites.
4. Any affordable housing requirements will reduce or eliminate the opportunity for contributions toward other amenities.
5. Given that there are significant administrative, legal and enforcement issues that will be associated with any affordable housing requirements and that non-profit operators have little interest in managing a small number of units in a building, the City should accept cash CACs from projects that can only provide a small number of total affordable housing units.
6. The density bonus opportunity at some sites supports a low share of affordable housing units (i.e. sites that have a land value under existing zoning that is higher than the land value under the base OCP density). If the City sets a specific target or requirement for affordable housing units from projects seeking bonus density, there should be a mechanism that allows applicants an opportunity to negotiate a lower affordable housing contribution if site specific circumstances mean the project cannot meet the affordable unit target. Otherwise, the affordable housing target will reduce the number of sites in the City that are financially viable for rezoning and redevelopment.

8.2 Affordable Housing Recommendations

Requiring affordable rental units within strata projects is not preferred for a variety of reasons:

- It will result in a small number of affordable units within a larger strata project which is inefficient from a management perspective, creating increased management costs for the affordable units.

- Affordable rental units will face increased operating costs if the strata corporation increases strata fees over time. Over the long term, this could impact the financial viability of operating the affordable units. For example, operating costs could increase faster than rents which reduces income from the units. This could create constraints on obtaining financing and/or maintaining the units without a government subsidy.
- It will increase the complexity of decisions that need to be made over the long term about renovating or redeveloping properties.
- It will create administrative and enforcement costs for the City.
- It will use up all of the potential room for other amenity contributions that could be generated by rezonings.

However, if the City wants to proceed with requiring affordable rental units within new projects, we have the following suggestions:

1. The City should identify the types of rezonings that will be required to provide affordable housing units. We recommend that this be limited to strata residential rezonings that are seeking the bonus density available in the OCP. Rental projects, heritage projects and non-residential projects should not be required to provide affordable housing units (assuming the project is not seeking density beyond the current OCP maximum).

2. If the City wants strata residential projects seeking bonus density to deliver affordable housing, the City should clearly define the type of affordable housing that is required, including tenure (affordable rental or affordable ownership), maximum rents by unit type, the mix of unit types, and minimum unit sizes.

3. The City should exclude smaller projects (say 60 units or less) from the affordable rental unit requirement. Instead, smaller projects should provide a cash CAC based on the increased permitted density over the base OCP density. The City should identify the circumstances in which a cash CAC will be considered and the amount of the cash CAC.

4. Based on the final definition of affordable housing, the City should set a specific target for the amount of affordable housing for each project. There are at least two different ways this could be expressed:

    - As a share of total units in the project (as outlined in this report).
    - As a share of total bonus floorspace allocated to the affordable housing. This would help mitigate any impact on rezonings that are only seeking part of the bonus density that is permitted.

5. We would suggest considering maximum affordable rental housing targets of:

    - Up to 10% of total units at rezonings in the Core Residential designation (if the project is over the threshold size identified for an affordable housing unit requirement).
    - Up to 10% of total units at rezonings in the Large Urban Village designation (if the project is over the threshold size identified for an affordable housing unit requirement).
    - Zero for rezonings in the Urban Residential designation.

    This is based on the unit size and unit mix provided by the City for this analysis and assumes affordable rents are set at 100% of current CMHC average rents in the City (Scenario 2 in this analysis), The suggested shares would need to be adjusted if the target rents are different than assumed or the mix and size of affordable units is changed.

6. The required housing agreements should create the ability for the owner of the below market units to increase rents to off-set increases in operating costs and taxes over time to ensure the long term viability of the affordable units.

7. The City should allow developers to pool affordable unit requirements and provide the units at one site. This will make management of the affordable units more efficient. This would require a mechanism to ensure all of the units are delivered as intended.

8. The City should determine the approach to monitoring the affordable housing units over time to ensure that the units are being made available to the intended income groups.

9. Developers should still be able to choose to negotiate the affordable unit contribution (or CAC) at their expense. The housing or amenity contribution should still be based on 75% of the increased property value due to the bonus density. The circumstances where this should be considered include (but are not limited to):

    - Proposals where the applicant provides affordable ownership units rather than affordable rental units. The number of affordable ownership units to be provided would depend on the definition of affordable and the terms governing the long term affordability of the units.
    - The existing zoning permits a density that is higher than the base OCP density.
    - The proposal includes a public benefit other than affordable housing (for example a day care or other similar facility).
    - The land value under existing zoning is higher than the base OCP land value.
    - The existing use of the property supports a market value that is higher than base OCP land value.
    - The proposed density is significantly lower than the maximum permitted OCP density.

    In the case of a negotiated contribution, the applicant should be required to provide key information to support the analysis that will be required, such as detailed cost estimates for the project (from a contractor or quantity surveyor), an appraisal (or similar estimate of value) supporting any valuations under existing use and existing zoning plus any other information that the City (or its consultant) thinks is required as input to the analysis.

10. The City should ensure that all stakeholders (property owners, real estate industry professionals, developers, etc.) are aware of any proposed changes to the existing policy. In addition, developers should be given significant notice before any changes are implemented. This will give applicants that have already purchased property the opportunity to make an application under the existing policies without facing the financial impact associated with the affordable housing requirement.

11. The City should to work with non-profit providers to help ensure there a large number of providers interested in acquiring below market rental units.

12. The City should monitor the impact of any affordable housing requirement on the pace of development and make changes as-needed if the requirement is negatively affecting the viability of new projects. In addition, the City should monitor changes in market conditions and adjust any affordable housing requirements as-needed on a regular basis (i.e. annually). For example, if strata residential land values increase, the City could consider increasing the affordable housing target or CAC amount over time (and vice versa).

9.0 Attachments - Financial Analysis

The following attachment summarizes the main assumptions that we used in our case study financial analysis.

9.1 Key Assumptions for Financial Analysis

The key assumptions used in our case study financial analysis are summarized below. Some assumptions vary on a property by property basis (to reflect building form, property assessments and servicing costs).

The key assumptions for the redevelopment scenarios are as follows:

1. Average sales price assumptions vary by form of construction:
   - Woodframe strata apartment projects are assumed to achieve average sales prices of $725 to $750 per square foot in the Downtown and in the Fairfield and James Bay neighbourhoods and $615 to $625 per square foot in the Hillside neighbourhood. This is consistent with projects currently marketing near the case study sites.
   - Concrete strata apartment projects are assumed to achieve average sales prices of $800 to $825 per square foot depending on building height, consistent with projects currently marketing near the case study sites.

   Our sensitivity analysis tests the impact of a $25 reduction in these sales prices.

2. Average lease rates for new retail space are assumed to be in the $30 to $40 per square foot net range depending on the area (the upper end is for Cook Street Village where rents are comparatively high). Net operating income from retail space is capitalized at 5.0% to estimate total market value. However, it should be noted that the estimated commercial rents and value do not affect the results of our analysis as the same amount of commercial space is assumed to be included in projects at the base OCP density scenario as well as the maximum OCP density scenario.

3. The cap rate used to estimate the value of the affordable housing units is 4.25% which is higher than the cap rate for new market rental properties. The estimated value of the affordable rental units is:

   - $217 per square foot in Scenario 1 (80% of CMHC average rents).
   - $306 per square foot in Scenario 2 (100% of CMHC average rents).
   - $395 per square foot in Scenario 3 (120% of CMHC average rents).

   These values assume that operating costs total about $4,100 to 4,200 per unit per year plus property taxes. Property tax are lower than new rental units due to the rent rate restrictions.

   Our sensitivity analysis tests the impact of higher operating costs of $6,200 per unit per year (due to higher management costs). We also test a reduced value based on the estimated mortgage that could be supported by the net income (with the higher operating costs).

4. Residential commissions are assumed to be 3% of sales revenue.

5. Marketing costs are assumed to total 3% of sales revenue.

6. Leasing commissions on the commercial space are set at 17% of Year 1 lease income.

7. Rezoning costs (application fees, architects, consultants, management, disbursements) are assumed to total $150,000. This assumes that rezoning is consistent with the OCP plan, otherwise the cost would

likely be higher. This assumption does not affect the results of our analysis as the same rezoning cost is assumed at the base OCP density scenario as well as the maximum OCP density scenario.

8. Construction cost assumptions are as follows:

   - All-in hard costs for woodrame buildings including underground parking range from about $270 to $275 per square foot (plus contingency) in our base case analysis. Our sensitivity testing assumed hard costs of about $310 per square foot.
   - All-in hard costs for concrete buildings including underground parking range from about $355 to $360 per square foot (plus contingency) in our base case analysis. Our sensitivity testing assumed hard costs of about $395 to $400 per square foot.
   - A separate landscaping cost allowance of $20 per square foot of site area is included.
   - An allowance of $2,500 per lineal metre of site frontage is included for upgrades to the adjacent sidewalks, boulevard, street trees, lighting, and road to centre line.

   The construction costs are based on information published by BDC Development Consultants, Altus Group, BTY Group and discussions with contractors and developers who are active in the Victoria multifamily residential market.

9. Soft costs and professional fees (permits, engineering, design, legal, survey, appraisal, accounting, new home warranties, insurance, deficiencies and other professional fees) and development management total 13% of hard costs. This excludes the soft costs and professional fees associated with the rezoning process.

10. A contingency allowance of 5% of hard and soft costs is included.

11. Interim financing is charged on all costs (including land) at 5% per year. In addition, a financing fee equivalent to 1.5% of total projects costs is included.

12. Residential and commercial DCCs are included at current rates.

13. Property taxes are based on 2018 mill rates and our own estimate of the assessed value during development.

14. Developer's profit margin is set at 15%, which is the typical minimum profit margin target for new multifamily development in Victoria. Our sensitivity analysis tests the impact of a 17.5% profit margin in scenarios that include affordable rental units.

9.2 Approach to Affordable Housing Analysis

Our analysis was completed using the following main steps:

1. We identified case study sites for the financial analysis. Sites were improved with older, low density commercial/service buildings or older single family homes, similar to the types of properties that have been the focus of development in density bonus policy areas over the past several years. The sites were selected to represent a cross-section of the different land use categories, locations, zoning districts and existing uses in the City.

2. We estimated the existing value of each case study in the absence of any bonus density. For this estimate, we considered three different values:

   a. The value supported by the existing use:

- For income producing properties (commercial uses), this is the capitalized value of the net income stream generated by the existing improvements. This is the value that an investor would be willing to pay for the property to retain the existing improvements and collect rent for the long term. This is the minimum price that a developer would need to pay for the site to acquire it for redevelopment purposes.
- For existing single family (or duplex) properties, this is the value of the property as an existing residence. For residential properties that require assembly, we assume that the developer would also need to pay a 25% premium over existing value in order to create an incentive for the existing home owner to sell for redevelopment.

b. The land value under existing zoning.

c. The land value under the base OCP density.

The highest of these three indicators is the existing market value of the site. The higher of (b) or (c) is the existing land value of the site. The City of Victoria density bonus policy seeks amenity contributions based on the increase in land value supported by the rezoning so we used the higher of (b) or (c) as the base value in the amenity contribution calculation.[12]

3. We estimated the rezoned land value at the maximum density identified in the OCP, with all the permitted bonus density but without any amenity contribution (or affordable housing).

4. We calculated the increase in land value associated with the rezoning and the amount of the potential amenity contribution at 75% of the estimated increase in land value. For most of the case study sites, the land value (2b or 2c) is higher than the value supported by the existing use (2a) so these sites are financially viable for redevelopment. For the sites where the existing use value is higher than the land value, we still calculated the supportable affordable housing contribution based on the estimated increased land value due to the bonus density as this is consistent with the City's amenity contribution policy. However, it should be noted that these sites may not be financially viable for redevelopment with the affordable housing component until such time as the land value under the base density equals (or exceeds) the value supported by the existing use.

5. We estimated the amount of affordable housing that could be funded by the total value of the amenity contribution for each of the below market rent scenarios (i.e. 75% of the estimated increase in land value associated with the bonus density). The affordable housing component is assumed to replace space that would otherwise have been used for strata residential. Because the affordable housing has less value per square foot than the strata residential space, it negatively impacts the financial performance of the overall project and reduces the estimated increase in value associated with the bonus density. We completed this in two steps:

   - First, we determined whether each rezoning could support a 25% share of affordable housing units because this was the City's target for the share of affordable units to be delivered at strata residential zonings.
   - Second, because none of the case studies could support a 25% share of affordable housing units, we tested the maximum share of affordable housing units which could be supported at each strata

[12] City of Victoria Density Bonus Policy. October 27, 2016. (3) Base and Maximum Densities.

residential rezoning. We calculated the amount of affordable housing which would reduce the supportable land value of the rezoning project by the amount of the amenity contribution. The target land value for the affordable housing scenarios is equal to the base density land value plus a 25% share of the increased land value associated with rezoning (assuming no amenity contribution or affordable housing).

This report focuses on the second estimate. Our estimates assume that all of the calculated amenity contribution value is used to fund affordable housing, leaving no room for contributions toward other amenities.

6. We completed sensitivity analysis which tested how the share of affordable housing units supported by the rezoning would change if assumptions changed at select case study sites.

9.3 Representative Case Study Financial Analysis

Because of the number of sites and scenarios analyzed, we have not included all of the detailed proformas for each site and each scenario in this report. This section provides an example of our analysis for one site.

The case study site shown in this example is located in the Downtown Core Area. It is a 21,780 square foot site that is an assembly of two lots located in the 1800 Block of Blanshard Street and is currently improved with an older 3,849 square foot retail building. The property is currently zoned S-1, Limited Service District allowing a wide range of commercial and service uses at a maximum density of 1.5 FSR. It is located within density bonus subarea B-1 allowing mixed use development at a base density of 3.0 FSR with an opportunity for bonus density up to a maximum overall density of 5.0 FSR.

We include proformas which calculate the following:

- Existing land value at the base OCP density.
- Rezoned land value at the maximum OCP density.
- The share of affordable units supportable at 80% of CMHC rents.
- The share of affordable units supportable at 100% of CMHC rents.
- The share of affordable units supportable at 120% of CMHC rents.

Exhibit 16 summarizes our findings for the example case study site for reference.

Exhibit 16: Representative Case Study in the Downtown Core Area

Site/Scenario	
Address	1800 Block Blanshard
Location/Neighbourhood	Downtown
Site Size (sf)	21,780
Current Use	1 Storey Retail
Zoning	S-1
Density Assumed Under Existing Zoning	1.5
OCP Designation	Core Residential - C3
Base OCP Density (FSR)	3.0
Maximum OCP Density (FSR)	5.0

Estimated Values		
1	Existing Use Value	$1,796,200
2	Land Value Under Existing Zoning	$1,286,698
3	Land Value at Base OCP Density	***$4,397,546***
4	Land Value at Max OCP Density*	$9,086,806
5	Target Land Value for AH Scenarios**	$5,569,861

Estimated Maximum Achievable AH Units (Units)	
Affordable Housing Scenario 1	15
Affordable Housing Scenario 2	18
Affordable Housing Scenario 3	21

Estimated Maximum Achievable AH Units (Share)	
Affordable Housing Scenario 1	13%
Affordable Housing Scenario 2	16%
Affordable Housing Scenario 3	18%

* assumes no CAC/DB contribution

**includes 25% of the land lift between Base OCP Density and Max OCP Density

Existing Land Value

To estimate the existing land value of the site, we examined the following indictors of potential value:

- The land value of the property as a development site under existing zoning at a density of 1.5 FSR.
- The land value of the property as a development site at the base density of 3.0 FSR.

The base OCP density land value supports the highest value at $4.4 million. The following proforma shows our calculation of the site's land value at the base density of 3.0 FSR if rezoned and redeveloped to mixed use retail and strata apartment.

Mixed Use Development at Base OCP Density - 3.0 FSR

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Site and Building Size

Site size	21,780	sq.ft. or	0.50 acre
Base Density	3.0		
Bonus Density	0.0		
Total Density	3.0	FSR	
Total Gross floorspace	65,340	sq.ft.	
Gross residential floorspace	58,806	sq.ft.	
Gross commercial floorspace	6,534	sq.ft.	

Concept	Gross SF	Efficiency	Net Saleable or Rentable	Avg Unit Size	Number of Units	Parking Stalls per Unit or 1000 sf	Parking Stalls	Share of Units
Strata Residential	58,806	85%	49,985	806	62	1.2	74	100%
Market Rental	0	85%	0	570	0	0.9	0	0%
Below Market Rental	0	85%	0	570	0	0.6	0	0%
Social Housing	0	85%	0	570	0	0.6	0	0%
Retail	6,534	100%	6,534	n/a	n/a	2.0	13	n/a
Office	0	95%	0	n/a	n/a	2.0	0	n/a
Total	65,340		56,519		62	7.3	87	100%
					24800			

Revenue/Value

Strata Residential	$800	per net square foot
Retail	$570	per net square foot including parking revenue (see separate calculations)

Pre Construction Costs

Allowance for Demolition of Existing Buildings	$76,980	or	$20	per sq. ft.
Site Servicing	$222,500	or	$2,500	per lineal metre of frontage
Rezoning Costs	$150,000			

Construction Costs

Hard Construction Costs				
Hard Cost Used in Analysis	$355			
Landscaping	$217,800	or	$20	psf of site area on 50% of site
Soft costs and Professional Fees	9.0%	of hard costs, landscaping and site prep/servicing costs		
Development management	4.0%	of hard costs, landscaping and site prep/servicing costs and soft costs		
Contingency on hard and soft costs	5.0%	of hard, soft and management costs		

Government Levies

Market Strata Residential DCCs	$4.25	per sq.ft. of floorspace
Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Below Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Social Housing DCCs	$0.00	per sq.ft. of floorspace
Retail DCCs	$2.88	per sq.ft. of floorspace

Financing

Interim financing	5.0%	assuming a	2.00	year construction period
Financing charged on	75.0%	of land and	75.0%	of construction costs
Financing fees	1.5%			

Commissions and Marketing

Commissions on Strata Residential	3.0%	of gross strata market residential revenue
Marketing on Strata Residential	3.0%	of gross strata market residential revenue
Commissions on Sale of Commercial	2.0%	of gross commercial value
Commission on Sale of Rental Units	2.0%	of value
Initial Lease Up Costs on Market Rental Units	$2,500	per unit
Initial Lease Up Costs on Below Market Rental Units	$2,000	per unit
Initial Lease Up Costs on Social Rental Units	$1,000	per unit
Leasing Commissions on Commercial Space	$5.00	per sq.ft.
Tenant Improvement Allowance on Retail Space	$25.00	per sq.ft.
Tenant Improvement Allowance on Office Space	$50.00	per sq.ft.

Other Costs and Allowances

Net GST on Market and Below Market Rental Units	5.00%	of capitalized value of rental units		
Net GST on Social Housing Units	0.00%	of capitalized value of rental units		
Property Taxes	0.520%	of assessed value		
Assumed current assessment (Year 1 of analysis)	$2,925,300			
Assumed assessment after 1 year of construction (Year 2 of analysis)	$21,856,230	(50% of completed project value)		
Developer's Profit	15.0%	of total costs or	13.0%	of gross market revenue/value

School Tax

Tax Rate	0.0%	from $3.0 - $4.0 m	0.0% over $4.0 million of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$0		
Assumed residential Portion of Assessment after 1 year of Construction	$0	(50% of completed residential portion value)	

Speculation Tax

Tax Rate	0.0%	of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$0	
Assumed Residential Portion of Assessment After 1 Year of Construction	$0	(50% of completed residential portion value)

Analysis	
Revenue	
Strata Sales Revenue	$39,988,080
Gross Retail Value	$3,724,380
Total Gross Value	$43,712,460
Less Commissions on Strata	$1,199,642
Less Commissions on Commercial	$74,488
Net Sales Revenue/Value	$42,438,330
Project Costs	
Allowance for Demolition of Existing Buildings	$76,980
Site Servicing	$222,500
Rezoning Costs	$150,000
Hard Construction Costs	$23,212,680
Landscaping	$217,800
Soft costs and Professional Fees	$2,142,268
Development management	$1,037,810
Contingency on hard and soft costs	$1,353,002
Marketing on Strata Units	$1,199,642
Leasing Commissions on Commercial Space	$32,670
Tenant Improvement Allowance on Retail Space	$163,350
Market Strata Residential DCCs	$249,926
Retail DCCs	$18,794
Less property tax allowance during approvals/development	$144,172
Interim financing on construction costs	$1,133,310
Financing fees/costs	$352,743
Less Net GST (assuming builder holds units)	$0
Total Project Costs Before Land	$31,707,646
Developer's Profit	**$5,700,105**
Residual to Land and Land Carry	**$5,030,579**
Less financing on land during construction and approvals	$503,687
Less financing fee on land loan	$45,835
Less property closing costs	$83,511
Residual Land Value	**$4,397,546**
Residual Value per sq.ft. of site	**$202**
Residual Value per sq.ft. of FSR	**$67**
Residual Value per sq.ft. of gross buildable floorspace	**$67**

Estimated Land Value Assuming Mixed Use Development at the Maximum Density of 5.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to mixed use retail and strata apartment at a density of 5.0 FSR (the maximum permitted) without any amenity contribution for the bonus floorspace. As shown in the proforma, the estimated land value under this scenario about $9.1 million.

Mixed Use Redevelopment at Maximum OCP Density - 5.0 FSR

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Site and Building Size

Site size	21,780	sq.ft. or	0.50 acre
Base Density	3.0		
Bonus Density	2.0		
Total Density	5.0	FSR	
Total Gross floorspace	108,900	sq.ft.	
Gross residential floorspace	102,366	sq.ft.	
Gross commercial floorspace	6,534	sq.ft.	

Concept	Gross SF	Efficiency	Net Saleable or Rentable	Avg Unit Size	Number of Units	Parking Stalls per Unit or 1000 sf	Parking Stalls	Share of Units
Strata Residential	102,366	85%	87,011	806	108	1.2	130	100%
Market Rental	0	85%	0	570	0	0.9	0	0%
Below Market Rental	0	85%	0	570	0	0.6	0	0%
Social Housing	0	85%	0	570	0	0.6	0	0%
Retail	6,534	100%	6,534	n/a	n/a	2.0	13	n/a
Office	0	95%	0	n/a	n/a	2.0	0	n/a
Total	108,900		93,545		108	7.3	143	100%

Revenue/Value

Strata Residential	$825	per net square foot
Retail	$570	per net square foot including parking revenue (see separate calculations)

Pre Construction Costs

Allowance for Demolition of Existing Buildings	$76,980	or	$20	per sq. ft.
Site Servicing	$222,500	or	$2,500	per lineal metre of frontage
Rezoning Costs	$150,000			

Construction Costs

Hard Construction Costs				
Hard Cost Used in Analysis	$358			
Landscaping	$217,800	or	$20	psf of site area on 50% of site
Soft costs and Professional Fees	9.0%	of hard costs, landscaping and site prep/servicing costs		
Development management	4.0%	of hard costs, landscaping and site prep/servicing costs and soft costs		
Contingency on hard and soft costs	5.0%	of hard, soft and management costs		

Government Levies

Market Strata Residential DCCs	$4.25	per sq.ft. of floorspace
Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Below Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Social Housing DCCs	$0.00	per sq.ft. of floorspace
Retail DCCs	$2.88	per sq.ft. of floorspace

Financing

Interim financing	5.0%	assuming a	2.25	year construction period
Financing charged on	75.0%	of land and	75.0%	of construction costs
Financing fees	1.5%			

Commissions and Marketing

Commissions on Strata Residential	3.0%	of gross strata market residential revenue
Marketing on Strata Residential	3.0%	of gross strata market residential revenue
Commissions on Sale of Commercial	2.0%	of gross commercial value
Commission on Sale of Rental Units	2.0%	of value
Initial Lease Up Costs on Market Rental Units	$2,500	per unit
Initial Lease Up Costs on Below Market Rental Units	$1,000	per unit
Initial Lease Up Costs on Social Rental Units	$1,000	per unit
Leasing Commissions on Commercial Space	$5.00	per sq.ft.
Tenant Improvement Allowance on Retail Space	$25.00	per sq.ft.
Tenant Improvement Allowance on Office Space	$50.00	per sq.ft.

Other Costs and Allowances

Net GST on Market and Below Market Rental Units	5.00%	of capitalized value of rental units		
Net GST on Social Housing Units	0.00%	of capitalized value of rental units		
Property Taxes	0.520%	of assessed value		
Assumed current assessment (Year 1 of analysis)	$2,925,300			
Assumed assessment after 1 year of construction (Year 2 of analysis)	$37,754,269	(50% of completed project value)		
Developer's Profit	15.0%	of total costs or	13.0%	of gross market revenue/value

School Tax

Tax Rate	0.0%	from $3.0 - $4.0 m	0.0%	over $4.0 million of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$0			
Assumed residential Portion of Assessment after 1 year of Construction	$0	(50% of completed residential portion value)		

Speculation Tax

Tax Rate	0.0%	of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$0	
Assumed Residential Portion of Assessment After 1 Year of Constructior	$0	(50% of completed residential portion value)

Analysis	
Revenue	
Strata Sales Revenue	$71,784,158
Gross Retail Value	$3,724,380
Total Gross Value	$75,508,538
Less Commissions on Strata	$2,153,525
Less Commissions on Commercial	$74,488
Net Sales Revenue/Value	$73,280,525
Project Costs	
Allowance for Demolition of Existing Buildings	$76,980
Site Servicing	$222,500
Rezoning Costs	$150,000
Hard Construction Costs	$38,956,280
Landscaping	$217,800
Soft costs and Professional Fees	$3,559,192
Development management	$1,724,231
Contingency on hard and soft costs	$2,245,349
Marketing on Strata Units	$2,153,525
Leasing Commissions on Commercial Space	$32,670
Tenant Improvement Allowance on Retail Space	$163,350
Market Strata Residential DCCs	$435,056
Retail DCCs	$18,794
Less property tax allowance during approvals/development	$276,012
Interim financing on construction costs	$2,119,151
Financing fees/costs	$588,948
Total Project Costs Before Land	$52,939,837
Developer's Profit	**$9,846,313**
Residual to Land and Land Carry	**$10,494,375**
Less financing on land during construction and approvals	$1,138,312
Less financing fee on land loan	$94,730
Less property closing costs	$174,528
Residual Land Value	**$9,086,806**
Residual Value per sq.ft. of site	**$417**
Residual Value per sq.ft. of FSR	**$83**
Residual Value per sq.ft. of gross buildable floorspace	**$83**

Estimated Affordable Housing Unit Contribution at 80% of CMHC Rents

The following proforma shows the supportable affordable housing contribution at 80% of CMHC rents if rezoned to the maximum OCP density. As shown in the proforma, redevelopment to the maximum OCP density can support a 13% share of affordable units or 15 units in total. The residual land value calculated in the proforma is equal to the OCP base density, plus 25% of the estimated increase in property value associated with the bonus density.

Mixed Use Redevelopment at Maximum OCP Density - 5.0 FSR

Share of Supportable Affordable Housing Units at 80% CMHC Rents

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Site and Building Size

Site size	21,780	sq.ft. or	0.50 acre
Base Density	3.0		
Bonus Density	2.0		
Total Density	5.0	FSR	
Total Gross floorspace	108,900	sq.ft.	
Gross residential floorspace	102,366	sq.ft.	
Gross commercial floorspace	6,534	sq.ft.	

Concept	Gross SF	Efficiency	Net Saleable or Rentable	Avg Unit Size	Number of Units	Parking Stalls per Unit or 1000 sf	Parking Stalls	Share of Units
Strata Residential	92,321	85%	78,473	809	97	1.2	116	87%
Market Rental	0	85%	0	570	0	0.9	0	0%
Below Market Rental	10,059	85%	8,550	570	15	0.6	9	13%
Social Housing	0	85%	0	570	0	0.6	0	0%
Retail	6,534	100%	6,534	n/a	n/a	2.0	13	n/a
Office	0	95%	0	n/a	n/a	2.0	0	n/a
Total	108,914		93,557		112	7.3	138	100%

Revenue/Value

Strata Residential	$825	per net square foot
Below Market Rental	$217	per net square foot (see separate calculations)
Retail	$570	per net square foot including parking revenue (see separate calculations)

Pre Construction Costs

Allowance for Demolition of Existing Buildings	$76,980	or	$20	per sq. ft.
Site Servicing	$222,500	or	$2,500	per lineal metre of frontage
Rezoning Costs	$150,000			

Construction Costs

Hard Construction Costs				
Hard Cost Used in Analysis	$355			
Landscaping	$217,800	or	$20	psf of site area on 50% of site
Soft costs and Professional Fees	9.0%	of hard costs, landscaping and site prep/servicing costs		
Development management	4.0%	of hard costs, landscaping and site prep/servicing costs and soft costs		
Fees, legal and survey for rental portion	$150,000			
Contingency on hard and soft costs	5.0%	of hard, soft and management costs		

Government Levies

Market Strata Residential DCCs	$4.25	per sq.ft. of floorspace
Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Below Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Retail DCCs	$2.88	per sq.ft. of floorspace

Financing

Interim financing	5.0%	assuming a	2.25	year construction period
Financing charged on	75.0%	of land and	75.0%	of construction costs
Financing fees	1.5%			

Commissions and Marketing

Commissions on Strata Residential	3.0%	of gross strata market residential revenue
Marketing on Strata Residential	3.0%	of gross strata market residential revenue
Commissions on Sale of Commercial	2.0%	of gross commercial value
Commission on Sale of Rental Units	2.0%	of value
Initial Lease Up Costs on Market Rental Units	$2,500	per unit
Initial Lease Up Costs on Below Market Rental Units	$1,000	per unit
Initial Lease Up Costs on Social Rental Units	$1,000	per unit
Leasing Commissions on Commercial Space	$5.00	per sq.ft.
Tenant Improvement Allowance on Retail Space	$25.00	per sq.ft.
Tenant Improvement Allowance on Office Space	$50.00	per sq.ft.

Other Costs and Allowances

Net GST on Market and Below Market Rental Units	5.00%	of capitalized value of rental units		
Property Taxes	0.520%	of assessed value		
Assumed current assessment (Year 1 of analysis)	$2,925,300			
Assumed assessment after 1 year of construction (Year 2 of analysis)	$35,161,811	(50% of completed project value)		
Developer's Profit	15.0%	of total costs or	13.0%	of gross market revenue/value

School Tax

Tax Rate	0.0%	from $3.0 - $4.0 m	0.0%	over $4.0 million of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$2,925,300			
Assumed residential Portion of Assessment after 1 year of Construction	$0	(50% of completed residential portion value)		

Speculation Tax

Tax Rate	0.0%	of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$2,925,300	
Assumed Residential Portion of Assessment After 1 Year of Constructior	$0	(50% of completed residential portion value)

Analysis		
Revenue		
Strata Sales Revenue	$64,740,225	
Below Market Rental Value	$1,859,017	
Gross Retail Value	$3,724,380	
Total Gross Value	$70,323,622	
Less Commissions on Strata	$1,942,207	
Less Commissions on Rental	$37,180	
Less Commissions on Commercial	$74,488	
Net Sales Revenue/Value	$68,269,747	
Project Costs		
Allowance for Demolition of Existing Buildings	$76,980	
Site Servicing	$222,500	
Rezoning Costs	$150,000	
Hard Construction Costs	$38,660,032	
Landscaping	$217,800	
Soft costs and Professional Fees	$3,532,530	
Development management	$1,711,314	
Fees, legal and survey for rental portion	$150,000	
Contingency on hard and soft costs	$2,236,058	
Marketing on Strata Units	$1,942,207	
Initial Lease Up Costs on Below Market Rental Units	$15,000	
Leasing Commissions on Commercial Space	$32,670	
Tenant Improvement Allowance on Retail Space	$163,350	
Market Strata Residential DCCs	$392,365	
Below Market Rental Residential DCCs	$42,750	
Retail DCCs	$18,794	
Less property tax allowance during approvals/development	$259,149	
Interim financing on construction costs	$2,101,929	
Financing fees/costs	$584,161	
Less Net GST (assuming builder holds units)	$92,951	
Total Project Costs Before Land	$52,602,539	
Developer's Profit	**$9,170,200**	
Residual to Land and Land Carry	**$6,497,008**	
Less financing on land during construction and approvals	$704,722	
Less financing fee on land loan	$58,647	
Less property closing costs	$107,360	
Residual Land Value	**$5,626,278**	
Base Value	**$4,397,546**	
OCP Max Rezoning Value	$9,086,806	
Increase in Value	$4,689,260	
Share of Land Lift	$1,172,315	25.0% Share
Target Rezoned Land Value	$5,569,861	
Residual Less Target	**$56,417**	
Residual Value per sq.ft. of site	**$258**	
Residual Value per sq.ft. of FSR	**$52**	
Residual Value per sq.ft. of gross buildable floorspace	**$52**	

Estimated Affordable Housing Unit Contribution at 100% of CMHC Rents

The following proforma shows the supportable affordable housing contribution at 100% of CMHC rents if rezoned to the maximum OCP density. As shown in the proforma, redevelopment to the maximum OCP density can support a 16% share of affordable units or 18 units in total. The residual land value calculated in the proforma is equal to the OCP base density, plus 25% of the estimated increase in property value associated with the bonus density.

Mixed Use Redevelopment at Maximum OCP Density - 5.0 FSR

Share of Supportable Affordable Housing Units at 100% CMHC Rents

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Site and Building Size

Site size	21,780	sq.ft. or	0.50 acre
Base Density	3.0		
Bonus Density	2.0		
Total Density	5.0	FSR	
Total Gross floorspace	108,900	sq.ft.	
Gross residential floorspace	102,366	sq.ft.	
Gross commercial floorspace	6,534	sq.ft.	

Concept	Gross SF	Efficiency	Net Saleable or Rentable	Avg Unit Size	Number of Units	Parking Stalls per Unit or 1000 sf	Parking Stalls	Share of Units
Strata Residential	90,381	85%	76,824	792	97	1.2	116	84%
Market Rental	0	85%	0	570	0	0.9	0	0%
Below Market Rental	12,071	85%	10,260	570	18	0.6	11	16%
Social Housing	0	85%	0	570	0	0.6	0	0%
Retail	6,534	100%	6,534	n/a	n/a	2.0	13	n/a
Office	0	95%	0	n/a	n/a	2.0	0	n/a
Total	108,986		93,618		115	7.3	140	100%

Revenue/Value

Strata Residential	$825	per net square foot
Below Market Rental	$302	per net square foot (see separate calculations)
Retail	$570	per net square foot including parking revenue (see separate calculations)

Pre Construction Costs

Allowance for Demolition of Existing Buildings	$76,980	or	$20	per sq. ft.
Site Servicing	$222,500	or	$2,500	per lineal metre of frontage
Rezoning Costs	$150,000			

Construction Costs

Hard Construction Costs				
Hard Cost Used in Analysis	$355			
Landscaping	$1,780	or	$20	psf of site area on 50% of site
Other	$0			
Soft costs and Professional Fees	9.0%	of hard costs, landscaping and site prep/servicing costs		
Development management	4.0%	of hard costs, landscaping and site prep/servicing costs and soft costs		
Fees, legal and survey for rental portion	$150,000			
Contingency on hard and soft costs	5.0%	of hard, soft and management costs		

Government Levies

Market Strata Residential DCCs	$4.25	per sq.ft. of floorspace
Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Below Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Retail DCCs	$2.88	per sq.ft. of floorspace
Office DCCs	$0.00	per sq.ft. of floorspace
School Site Acquisition Charge	$0.00	per unit

Financing

Interim financing	5.0%	assuming a	2.25	year construction period
Financing charged on	75.0%	of land and	75.0%	of construction costs
Financing fees	1.5%			

Commissions and Marketing

Commissions on Strata Residential	3.0%	of gross strata market residential revenue
Marketing on Strata Residential	3.0%	of gross strata market residential revenue
Commissions on Sale of Commercial	2.0%	of gross commercial value
Commission on Sale of Rental Units	2.0%	of value
Initial Lease Up Costs on Market Rental Units	$2,500	per unit
Initial Lease Up Costs on Below Market Rental Units	$1,000	per unit
Initial Lease Up Costs on Social Rental Units	$1,000	per unit
Leasing Commissions on Commercial Space	$5.00	per sq.ft.
Tenant Improvement Allowance on Retail Space	$25.00	per sq.ft.
Tenant Improvement Allowance on Office Space	$50.00	per sq.ft.

Other Costs and Allowances

Net GST on Market and Below Market Rental Units	5.00%	of capitalized value of rental units		
Property Taxes	0.520%	of assessed value		
Assumed current assessment (Year 1 of analysis)	$2,925,300			
Assumed assessment after 1 year of construction (Year 2 of analysis)	$35,100,748	(50% of completed project value)		
Developer's Profit	15.0%	of total costs or	13.0%	of gross market revenue/value

School Tax

Tax Rate	0.0%	from $3.0 - $4.0 m	0.0%	over $4.0 million of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$2,925,300			
Assumed residential Portion of Assessment after 1 year of Construction	$0	(50% of completed residential portion value)		

Speculation Tax

Tax Rate	0.0%	of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$2,925,300	
Assumed Residential Portion of Assessment After 1 Year of Constructior	$0	(50% of completed residential portion value)

Analysis	
Revenue	
Strata Sales Revenue	$63,379,800
Below Market Rental Value	$3,097,316
Gross Retail Value	$3,724,380
Total Gross Value	$70,201,496
Less Commissions on Strata	$1,901,394
Less Commissions on Rental	$61,946
Less Commissions on Commercial	$74,488
Net Sales Revenue/Value	$68,163,668
Project Costs	
Allowance for Demolition of Existing Buildings	$76,980
Site Servicing	$222,500
Rezoning Costs	$150,000
Hard Construction Costs	$38,689,946
Landscaping	$1,780
Soft costs and Professional Fees	$3,515,780
Development management	$1,703,200
Fees, legal and survey for rental portion	$150,000
Contingency on hard and soft costs	$2,225,509
Marketing on Strata Units	$1,901,394
Initial Lease Up Costs on Below Market Rental Units	$18,000
Leasing Commissions on Commercial Space	$32,670
Tenant Improvement Allowance on Retail Space	$163,350
Market Strata Residential DCCs	$384,120
Below Market Rental Residential DCCs	$51,300
Retail DCCs	$18,794
Less property tax allowance during approvals/development	$258,752
Interim financing on construction costs	$2,090,984
Financing fees/costs	$581,119
Less Net GST (assuming builder holds units)	$154,866
Total Project Costs Before Land	$52,391,046
Developer's Profit	**$9,154,275**
Residual to Land and Land Carry	**$6,618,347**
Less financing on land during construction and approvals	$717,884
Less financing fee on land loan	$59,742
Less property closing costs	$109,399
Residual Land Value	**$5,731,322**
Base Value	**$4,397,546**
OCP Max Rezoning Value	$9,086,806
Increase in Value	$4,689,260
Share of Land Lift	$1,172,315
Target Rezoned Land Value	$5,569,861
Residual Less Target	**$161,461**
Residual Value per sq.ft. of site	**$263**
Residual Value per sq.ft. of FSR	**$53**
Residual Value per sq.ft. of gross buildable floorspace	**$53**

Estimated Affordable Housing Unit Contribution at 120% of CMHC Rents

The following proforma shows the supportable affordable housing contribution at 120% of CMHC rents if rezoned to the maximum OCP density. As shown in the proforma, redevelopment to the maximum OCP density can support a 18% share of affordable units or 21 units in total. The residual land value calculated in the proforma is equal to the OCP base density, plus 25% of the estimated increase in property value associated with the bonus density.

Mixed Use Redevelopment at Maximum OCP Density - 5.0 FSR

Share of Supportable Affordable Housing Units at 120% CMHC Rents

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Site and Building Size

Site size	21,780	sq.ft. or	0.50 acre
Base Density	3.0		
Bonus Density	2.0		
Total Density	5.0	FSR	
Total Gross floorspace	108,900	sq.ft.	
Gross residential floorspace	102,366	sq.ft.	
Gross commercial floorspace	6,534	sq.ft.	

Concept	Gross SF	Efficiency	Net Saleable or Rentable	Avg Unit Size	Number of Units	Parking Stalls per Unit or 1000 sf	Parking Stalls	Share of Units
Strata Residential	88,186	85%	74,958	806	93	1.2	112	82%
Market Rental	0	85%	0	570	0	0.9	0	0%
Below Market Rental	14,082	85%	11,970	570	21	0.6	13	18%
Social Housing	0	85%	0	570	0	0.6	0	0%
Retail	6,534	100%	6,534	n/a	n/a	2.0	13	n/a
Office	0	95%	0	n/a	n/a	2.0	0	n/a
Total	108,802		93,462		114	7.3	138	100%

Revenue/Value

Strata Residential	$825	per net square foot
Below Market Rental	$390	per net square foot (see separate calculations)
Retail	$570	per net square foot including parking revenue (see separate calculations)

Pre Construction Costs

Allowance for Demolition of Existing Buildings	$76,980	or	$20	per sq. ft.
Site Servicing	$222,500	or	$2,500	per lineal metre of frontage
Rezoning Costs	$150,000			

Construction Costs

Hard Construction Costs				
Hard Cost Used in Analysis	$355			
Landscaping	$217,800	or	$20	psf of site area on 50% of site
Soft costs and Professional Fees	9.0%	of hard costs, landscaping and site prep/servicing costs		
Development management	4.0%	of hard costs, landscaping and site prep/servicing costs and soft costs		
Fees, legal and survey for rental portion	$150,000			
Contingency on hard and soft costs	5.0%	of hard, soft and management costs		

Government Levies

Market Strata Residential DCCs	$4.25	per sq.ft. of floorspace
Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Below Market Rental Residential DCCs	$4.25	per sq.ft. of floorspace
Social Housing DCCs	$0.00	per sq.ft. of floorspace
Retail DCCs	$2.88	per sq.ft. of floorspace

Financing

Interim financing	5.0%	assuming a	2.25	year construction period
Financing charged on	75.0%	of land and	75.0%	of construction costs
Financing fees	1.5%			

Commissions and Marketing

Commissions on Strata Residential	3.0%	of gross strata market residential revenue
Marketing on Strata Residential	3.0%	of gross strata market residential revenue
Commissions on Sale of Commercial	2.0%	of gross commercial value
Commission on Sale of Rental Units	2.0%	of value
Initial Lease Up Costs on Market Rental Units	$2,500	per unit
Initial Lease Up Costs on Below Market Rental Units	$1,000	per unit
Initial Lease Up Costs on Social Rental Units	$1,000	per unit
Leasing Commissions on Commercial Space	$5.00	per sq.ft.
Tenant Improvement Allowance on Retail Space	$25.00	per sq.ft.
Tenant Improvement Allowance on Office Space	$50.00	per sq.ft.

Other Costs and Allowances

Net GST on Market and Below Market Rental Units	5.00%	of capitalized value of rental units		
Property Taxes	0.520%	of assessed value		
Assumed current assessment (Year 1 of analysis)	$2,925,300			
Assumed assessment after 1 year of construction (Year 2 of analysis)	$35,116,181	(50% of completed project value)		
Developer's Profit	15.0%	of total costs or	13.0%	of gross market revenue/value

School Tax

Tax Rate	0.0%	from $3.0 - $4.0 m	0.0%	over $4.0 million of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$2,925,300			
Assumed residential Portion of Assessment after 1 year of Construction	$0	(50% of completed residential portion value)		

Speculation Tax

Tax Rate	0.0%	of assessed value (residential portion)
Residential Portion of Current Assessment (Year 1 of analysis)	$2,925,300	
Assumed Residential Portion of Assessment After 1 Year of Construction	$0	(50% of completed residential portion value)

Analysis	
Revenue	
Strata Sales Revenue	$61,840,350
Below Market Rental Value	$4,667,632
Gross Retail Value	$3,724,380
Total Gross Value	$70,232,362
Less Commissions on Strata	$1,855,211
Less Commissions on Rental	$93,353
Less Commissions on Commercial	$74,488
Net Sales Revenue/Value	$68,209,311
Project Costs	
Allowance for Demolition of Existing Buildings	$76,980
Site Servicing	$222,500
Rezoning Costs	$150,000
Hard Construction Costs	$38,585,149
Landscaping	$217,800
Soft costs and Professional Fees	$3,525,790
Development management	$1,708,050
Fees, legal and survey for rental portion	$150,000
Contingency on hard and soft costs	$2,231,813
Marketing on Strata Units	$1,855,211
Initial Lease Up Costs on Below Market Rental Units	$21,000
Leasing Commissions on Commercial Space	$32,670
Tenant Improvement Allowance on Retail Space	$163,350
Market Strata Residential DCCs	$374,790
Below Market Rental Residential DCCs	$59,850
Retail DCCs	$18,794
Less property tax allowance during approvals/development	$258,852
Interim financing on construction costs	$2,094,719
Financing fees/costs	$582,157
Less Net GST (assuming builder holds units)	$233,382
Total Project Costs Before Land	$52,562,857
Developer's Profit	**$9,158,300**
Residual to Land and Land Carry	**$6,488,154**
Less financing on land during construction and approvals	$703,762
Less financing fee on land loan	$58,567
Less property closing costs	$107,212
Residual Land Value	**$5,618,613**
Base Value	**$4,397,546**
OCP Max Rezoning Value	$9,086,806
Increase in Value	$4,689,260
Share of Land Lift	$1,172,315
Target Rezoned Land Value	$5,569,861
Residual Less Target	**$48,752**
Residual Value per sq.ft. of site	**$258**
Residual Value per sq.ft. of FSR	**$52**
Residual Value per sq.ft. of gross buildable floorspace	**$52**