



September 10, 2019

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**Re: 1100, 1120 Yates St & 1109, 1115 Johnson St Development Land Lift Analysis**

G.P. Rollo & Associates (GPRA) has been retained by the City of Victoria to complete a Land Lift and Amenity Contribution Analysis for the proposed rezoning of 1100 & 1120 Yates Street and 1109 & 1115 Johnson Street Victoria (the Site) from the current zone to the proposed new Zone by Cook and Yates Limited (the Developer).

The purpose of the analysis is to estimate the land lift and amenity contribution on the site from an increase in density on the Site from that which would allow for development of a mixed commercial and residential building with a maximum of 1.336 FSR (identified as the 'base density') on the 6,330.91 square metre Site to a proposed overall density of 3.01 FSR mixed commercial and residential project spread across three separate parcels:

1. Parcel A – 1,589.47 square metre site area developed with a 13 storey mixed-use condo with 8,743.36 square metres of GBA
2. Parcel B – 2,614.56 square metre site area developed with a 6 storey building under BC Housing's new Affordable Home Ownership Program with 6,655.25 square metres of GBA
3. Parcel C – 2,126.87 square metres site area refurbishing an existing 5 storey office building of 3,683.93 square metres of GBA at 1120 Yates Street.

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

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

GPRA used standard developer proformas for each case to model the economics of typical development as proposed/allowed under the each zoning. The 'Lift' is then calculated as the difference in residual land values between the base and rezoned densities.

#### METHODOLOGY & ASSUMPTIONS

The Site is roughly 6,331 square metres in area and can be developed under the current zoning with a mix of ground floor commercial with residential above at a density up to 1.34 FSR. The proposed new development at roughly 3.01 FSR would amount to approximately 18,860 square metres of GBA, comprised of 14,309 square metres (gross area) of residential (composed of 111 market strata apartments and 104 Affordable Housing units to be sold at 10% below market value and would qualify for BC Housing's Affordable Home Ownership Program), 1,089 square metres of new ground floor commercial space, and 3,787 square metres of refurbished existing medical dental as well as underground parking.

The analyses are created using a standard developer proforma wherein estimates of revenues and costs are inputs and the remaining variable is the desired output. In typical proformas this output is usually profit, following a revenues minus costs equals profit formula.

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

The residual land value determined from this analysis is then compared to the value of the site using the supported value at the base density to establish a 'lift' in value that arises from the change in density. This lift in value is the total potential monies that are available for public amenities or other public works not considered as part of the analysis. GPRA have made allowances for streetscape and public realm improvements that would typically be incurred through development in both sets of analysis. Any additional improvements that would be required only from the proposed rezoning and not from development under current zoning would impact the lift and would need to be identified, priced, and included in a revised analysis.

Typically there is some sharing of the lift value between the Municipality/District and the developer, but the percentage shared varies by community and by project. It is GPRA's understanding that in compliance with current policy, the City has determined that they will seek 75% of the lift for amenities.

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

Project costs were derived from sources deemed reliable, including information readily available from quantity surveyors on average hard construction costs in the City. Development or soft costs have been drawn from industry standards, and from the City's sources. All other assumptions have been derived from a review of the market and from other sources deemed reliable by GPRA.

## CONCLUSIONS & RECOMMENDATIONS

When examined as a consolidated site GPRA estimates that there is no lift from the proposed rezoning. This reflects the 10% discount on close to half the apartments on the Site, along with significant investments in refurbishing the existing medical dental building, construction of a new bus shelter on Johnson, and burying of overhead Hydro lines. There is in fact a net loss in residual land value when looking at the Site as a whole.

When examined as its component parts looking at Parcels A & B in isolation from Parcel C with the existing medical dental building GPRA estimates there is no lift in combined land value for the 2 parcels, although the overall loss is less significant than in the combined scenario. This would suggest that Parcel C creates a drag on the overall residual land value of the project. It is also worth noting that the existing medical dental building represents roughly 20% of the gross building area represented by the rezoned FSR and almost 45% of the FSR in the base density. This, along with the discount on almost half the strata apartments is what negates the overall lift when looking at the Site both as a combined site and as individual parcels.

I trust that our work will be of use in the City's determination of the Amenity Contribution they will seek as part of rezoning 1100 & 1120 Yates Street and 1109 & 1115 Johnson Street Victoria. I am available to discuss this further at your convenience.



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