



November 26, 2019

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**Re: 1301 Hillside Avenue 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 1301 Hillside Avenue Victoria (the Site) from the current zone to the proposed new Zone by Abstract Developments (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 1.2 FSR (identified as the 'base density' using the OCP as a guideline – as this application was originally submitted in March 2018 the City will be treating the land lift under the old policy) on the 1,243 square metre Site to a proposed overall density of 2.25 FSR mixed live/work and residential project with 3 live/work units and 41 strata apartment units.

It is our understanding the Developer will be seeking a stall parking variance. It is also our understanding that the Developer is proposing to make 9 of the units part of BC Housing's new Affordable Home Ownership Program at 10% below market value, wherein they may receive financing from BC Housing and in return designate units for the program, which would then entitle purchasers of units to a second mortgage through BC Housing with no interest and no payment required until the unit is sold in order to reduce the cost to the purchasers.

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. Live/Work Strata

GPRA used standard developer proformas for each case to model the economics of typical development as proposed/allowed under 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 1,243 square metres in area and can be developed under the base density of 1.2 FSR with a mix of live/work at grade with residential apartments above. The proposed new development at roughly 2.25 FSR would amount to approximately 2,797 square metres of GBA, (composed of 3 live/work units, 33 market strata apartments and 9 Affordable Housing units to be sold at 10% below market value and would qualify for BC Housing's Affordable Home Ownership Program.

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 wood frame 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.

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. The developer has informed us that there is a requirement for piling on the entirety of the site at the density of 2.25 that would not be necessary at the base density which carries an incremental cost of \$650,000 which has been included as a cost in the analysis.

### **CONCLUSIONS & RECOMMENDATIONS**

GPRA estimates that there would be no lift from the proposed zoning for the additional 1.05 FSR of density with 9 units being offered at 10% below market pricing. This is due to the reduced revenue from the 9 units at a 10% discount and higher costs for piling on the site.

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 1301 Hillside Avenue in Victoria.

I am available to discuss this further at your convenience.



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