



March 8, 2022

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

Re: Caledonia and Douglas 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 710 Caledonia and 1961 Douglas Victoria (the Site) from the current zone to the proposed new Zone by Caledonia Equity Limited Partnership c/o Chard Development (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 attached and detached buildings up to a maximum of 1.28 FSR comprised of 0.14 FSR of commercial at grade and 1.14 FSR of residential uses (identified as the 'base density' using the current C-1 Zone on 710 Caledonia and the T-1 Zone on 1961 Douglas as a guideline) on the 6,723 square metre Site to a proposed overall density of 6.79 FSR.

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) Residential market rental
- 3) Residential Non-market rental
- 4) Commercial retail uses, including a daycare;

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 6,723 square metres in area and can be developed under the current zoning with attached and detached buildings up to a maximum of 1.28 FSR comprised of 0.14 FSR of commercial at grade and 1.14 FSR of residential uses. The proposed new development would allow for a 6.79 FSR development of 3 buildings:

- A. A 9,987 square metre rental building to be managed by BC Housing with reduced rental rates;
- B. A 12,911 square metre building with market strata apartments;
- C. A 13,485 square metre rental building;
- D. 9,046 square metres of commercial fronting onto Douglas with a mix of office, retail, restaurant, grocery, and a daycare.

It is our understanding the Developer is proposing to make the rental units secured for 60 years, and provide 478.92 square metres of childcare space, as well as plaza space (“the amenities”).

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, and an acceptable return on the rental portions of the site. 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 5 km of the Site, with a focus on projects that were deemed comparable to that which has been proposed for the Site. Market residential rents were determined through a scan of newly

constructed units available for rent, while non-market rents have been provided by BC housing. 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

GPRA has estimated the base value for the site using BC Assessment data for the properties as currently zoned and confirmed this estimate through a proforma of development of the 1.28 FSR as envisioned in current planning. GPRA then prepared proformas for the Site developed as proposed, using a static approach where the developer builds and sells off all components upon completion as well as a model wherein only the strata components are sold off and all the rental is retained as income generating space over time. GPRA was instructed to model this income generating space as being retained in perpetuity as well as being sold at the end of 60 years.

In all modeling of the site as proposed there are no cases where the supported land value exceeds the value from BC Assessment of \$18,404,000 or the supported proforma value of \$18,905,000. A static model would require a subsidy to work economically, while a 60 year cash flow with a sale of all retained assets at market value at that time comes closest to matching the base value, but still falls roughly \$1 million below the \$18.4 million value. As such, GPRA recommends that the City seek no further amenities from this project beyond those which are currently proposed.

GPRA were also instructed to complete analysis with no commercial density to determine what impact, if any, the commercial component has on lift and potential for CACs. GPRA can say that in all variations of the analysis the commercial being included has a positive economic impact on the land value and the project. Even using a static analysis where the commercial is sold immediately after being built there is a positive economic impact on land value supported. As such we can say that the commercial does not have a negative impact on the project's ability to contribute CACs/

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 710 Caledonia and 1961 Douglas Victoria. I am available to discuss this further at your convenience.

Yours truly,



Gerry Mulholland | Vice President
G.P. Rollo & Associates Ltd., Land Economists
T 604 275 4848 | M 778 772 8872 | F 1 866 366 3507
E gerry@rolloassociates.com | W www.rolloassociates.com