ROLLO LTD + ASSOCIATES

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Rob Bateman
City of Victoria
1 Centennial Square
Victoria, BC V8W 1P6

Re: Quebec & Montreal 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 210-224 Kingston Street, 205 Quebec Street and 507 Montreal Street Victoria (the Site) from the current zone to the proposed new Zone by Mike Geric Construction Ltd. (the Developer).

The purpose of the analysis is to estimate the land lift and amenity contribution on the site from an increase in density on the Site from that which would allow for development of attached and detached buildings up to a maximum of 0.6 FSR (identified as the 'base density' using the current R-K Zone as a guideline on the 4,000 square metre Site to a proposed overall density of 3.0 FSR mixed use building with 236.8 square metres of commercial at grade, 10 townhouses, and 102 residential strata apartment units above grade. It is our understanding the Developer is proposing to provide 312.4 square metres of childcare space for 49 children.

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 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 4,000 square metres in area and can be developed under the current zoning with attached and detached buildings up to a maximum of 0.6 FSR. The proposed new development would allow for a 3.0 FSR mixed use building with 236.8 square metres of commercial at grade, 10 townhouses, and 102 residential strata apartment units above grade. It is our understanding the Developer is proposing to provide 312.4 square metres of childcare space for 49 children.

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

GPRA has estimated the base value for the site using BC Assessment data for the properties as currently zoned for single family dwellings and a small premium allowed for assembly of the parcels. GPRA prepared proformas for the Site as full market strata for the residential and has assigned a nominal market rent for the daycare space at $20 per square foot which is consistent with other analyses undertaken for the City.

When comparing the supported land value for all market strata to the base value, the estimated land lift we arrive at is $3.07 million, 75% of which would be a CAC of $2.3 million. As such, we suggest that the total CAC package sought by the City from this development not exceed $2.3 million.

The Developer has also indicated that the intent is to provide the daycare space for a lease rate of $1 per year. Based on the analysis of the space leased at $20 per square foot the indicated value of that daycare space that is foregone by offering the space for essentially free would amount to roughly $1.52 million that could be taken as an in-kind contribution.

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 210-224 Kingston Street, 205 Quebec Street and 507 Montreal Street 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