

**VIA EMAIL**

25 Jul 2023

Chelsea Medd
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Dear Chelsea:

Re: Summary of CAC Analysis for Proposed Rezoning for Jubilee House Phase 2

A developer has submitted an application to rezone properties adjacent to Jubilee House Phase 1 (a seniors' residence that is under construction near Jubilee hospital in Victoria), to a site specific zone that would allow the development of a new seniors' independent living facility (Jubilee House Phase 2).

The subject site consist of four lots¹:

1. 1921 Ashgrove Street. This is a 6,840 square foot lot currently improved with an older house zoned R3-2. This zoning district allows single detached residential and duplex units as well as multifamily residential up to 1.6 FSR. However, multifamily is not permitted at this lot as it does not meet the minimum lot size requirement.
2. 1929 Ashgrove Street. This is a 5,520 square foot lot currently improved with an older house zoned R3-2. This zoning district allows single detached residential and duplex units, as well as multifamily residential up to 1.6 FSR. However, multifamily is not permitted at this lot as it does not meet the minimum lot size requirement.
3. 1931/1933 Ashgrove Street. This is a 5,500 square foot lot currently improved with two units zoned R1-B. This zoning district allows single detached residential (and house conversions).
4. 1935 Ashgrove Street. This is a 5,472 square foot lot currently improved with a newer house zoned R1-B. This zoning district allows single detached residential (and house conversions).

All of these lots are designated Urban Residential in the OCP which supports multifamily residential development at densities up to 2.0 FSR (1.2 FSR base with 0.8 FSR bonus density).

The proposed rezoning would allow development of Phase 2 of Jubilee House - a new 6-storey 70,651 sq.ft. 88-unit independent living project. The proposed density exceeds the density permitted under Urban Residential OCP designation, so an OCP amendment will be required.

¹ Jubilee House Phase 2 also includes a portion of 1900 Richmond Road which provides access to the overall project. This portion of the site is currently zoned C-1R which is a site specific zoning district that was adopted for Phase 1. A portion of 1900 Richmond Road is now required for Phase 2 but, because it is also part of the Phase 1 zoning, it has not been included in this analysis.

The City of Victoria's Inclusionary Housing and Community Amenity Policy requires residential rezonings to provide amenity contributions or affordable housing (or both), depending on the specifics of the rezoning. The Policy identifies some types of rezonings (atypical rezonings) where the amenity contribution and/or inclusionary housing contribution is determined based on an economic analysis. For these types of rezonings, the target for the CAC contribution is 75% of the increase in land value created by the rezoning (beyond existing zoning). Atypical rezonings include applications where an OCP amendment is required (as well as other situations).

The proposed application is considered an atypical rezoning. So, an economic analysis is required to determine if the rezoning creates an increase in land value that can be used to support amenity contributions and/or inclusionary affordable rental units.

Therefore, the City commissioned Coriolis Consulting Corp. to complete the economic analysis to determine if the rezoning application creates an increase in land value that can be used to fund amenity contributions. As part of the analysis, we estimated:

1. The land value of the four lots under existing zoning.
2. The land value supported by the proposed 88-unit seniors' independent living facility.

Based on these estimates, we determined whether there will be an increase in land value created by the proposed rezoning and the implications for the project's ability to provide an amenity contribution.

Our detailed analysis was shared with City staff and the applicant. This letter summarizes the concept analyzed, the approach to the analysis and the findings. The revenue and cost assumptions used in the analysis are based on market conditions as of May 2023.

Rezoning Concept

The proposed project consists of 88 independent living units. The total gross buildable floorspace (excluding parking) is 70,649 sq.ft., of which 55,523 sq.ft. is rentable floor area, while the remainder is common area and amenity space. In addition, the project is planned to include 55 underground parking stalls.

Exhibit 1: Proposed Rezoning Development Concept

| Type of Space | Units | Floorspace (sf) | Share of Floorspace |
|--|-------|-----------------|---------------------|
| Residential – Seniors Independent Living | 88 | 55,523 | 79% |
| Common area and amenities | n/a | 15,126 | 21% |
| Total | 88 | 70,649 | 100% |

Approach

To complete the analysis, we:

1. Estimated the current value of the four lots under existing zoning, based on:
 - Existing assessed values.
 - Sales of similarly zoned properties in nearby areas.
2. Analyzed the likely financial performance of the proposed rezoning concept using a proforma/land residual analysis. This included the following steps:
 - Estimated the potential value of the completed project. The potential value is determined by applying a market cap rate to the estimated net operating income.
 - Deducted all project costs other than the land cost.
 - Deducted a profit margin (15% of total costs including estimated land value).

- Calculated the remaining value which is the land residual. This represents the amount that a developer could afford to pay for the property, complete the project and earn the target profit margin.
3. Compared the estimated land value under the proposed rezoning concept with the estimated land value under existing zoning.
 4. Determined whether there is additional land value created by the rezoning proposal.
 5. Calculated the supportable amenity contribution based on 75% of the estimated extra land value created by the rezoning proposal.
 6. Presented the detailed analysis to City staff and the applicant and addressed comments.

Estimated Value Under Existing Zoning

The subject properties are currently zoned R3-2 and R1-B.

- R3-2 zoning (1921 and 1929 Ashgrove Street) allows for single and two family detached uses. Multifamily residential is also allowed, but neither of these lots meet the minimum lot area requirement for multifamily development. Therefore, the most valuable use of these lots under current zoning is single family (or duplex which supports a similar value as single family).
- R1-B (1931/33 and 1935 Ashgrove Street) zoning allows for single detached residential.

Our land value estimates assume that each lot can be used for single detached or duplex use.

To estimate the market value of the property under existing zoning, we reviewed the current assessed value of the site and analyzed sales of comparable properties.

Based on our analysis of market evidence, we estimate that the total combined current market land value of the four lots is about \$5,504,000².

This value is slightly lower than the current assessed value of the four properties because the property assessments include significant value attributable to the existing improvements. The value of improvements is not included in our analysis because the City's CAC policy stipulates that the existing value should be based on land value under existing zoning, not on total property value (which includes improvements value).

Estimated Land Value Supported by the Proposed Rezoning

We used a land residual proforma to analyze the expected financial performance of the proposed project and to estimate the value of the land supported by the proposed rezoning. The analysis is based (in part) on confidential information provided by the applicant and its consultants so we have not included the detailed financial assumptions and analysis in this summary.

Based on our analysis, we estimate that the land value supported by the proposed concept is \$6,835,000.

² In order for a developer to acquire multiple adjacent single family homes simultaneously to create an assembled site, a developer needs to pay a premium above market value in order to create an incentive for all of the adjacent owners to sell simultaneously for redevelopment. Our estimated existing value includes a reasonable allowance for assembly costs to acquire all four lots simultaneously.

Conclusions

Exhibit 2 summarizes our land value estimates and identifies the implications for the supportable CAC value.

Exhibit 2: Estimate of Change in Land Value Due to Proposed Rezoning

| | Estimated Values |
|--|------------------|
| Estimated Existing Land Value Current Zoning | \$5,504,000 |
| Estimated Land Value Supported by Rezoning Concept | \$6,835,000 |
| Estimated Increase in Land Value | \$1,331,000 |

The estimated increase in land value created by the proposed rezoning of the four lots is about \$1,331,000, which (under City policy) would support a CAC value of \$998,250 (75% of \$1,331,000).

Therefore, we estimate that the supportable CAC from this rezoning application is \$998,250.

This analysis is based on the most recent project information that the applicant and the City have provided to us. The analysis should be updated if there are any changes to the proposed rezoning concept or requirements from the City.

Please let me know if you have any questions about our findings.

Yours truly,

COROLIS CONSULTING CORP.



Blair Erb