

**VIA EMAIL**

25 June 2023

Patrick Carroll
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Dear Patrick:

Re: Summary of CAC Analysis for Proposed Rezoning of 1733 to 1737 Fairfield Road

Aryze Developments has submitted a rezoning application for the three properties at 1733 to 1737 Fairfield Road. These properties are currently designated Traditional Residential in the OCP and zoned R1-G Gonzales Single Family District. The proposal is to rezone from R1-G to a site specific zoning district that would permit a 4-storey 30 unit strata apartment development. An OCP amendment is also required.

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:

- The land value under existing zoning.
- The land value supported by the proposed rezoning concept, which includes strata residential units.

Based on these estimates, we determined whether or not 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.

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 April 2023.

Rezoning Concept

The three lots at 1733, 1735 and 1737 Fairfield Road are proposed to be rezoned from R1-G Zone Gonzales Single Family District to a site-specific zoning district that would permit a 4-storey 30 unit strata residential development, with a combination of surface and tuck-under parking stalls.

The proposed rezoning concept includes 6 townhouse units and 24 apartment units with 22 parking stalls. The proposed density is 1.73 FSR (plus exclusions).

Approach

To complete the analysis, we:

1. Estimated the current value of the three single family lots at 1733-1737 Fairfield Road under existing zoning, based on:
 - Existing assessed values.
 - Sales of similarly zoned single family properties in nearby areas.
2. Analyzed the likely financial performance of the proposed rezoning concept using a proforma/land residual analysis. This includes the following steps:
 - Estimate the potential sales revenue from the completed project.
 - Deduct all project costs other than the land cost.
 - Deduct a profit margin (15% of total costs including estimated land value).
 - Calculate 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. Compared this estimated supportable CAC value with the contribution being proposed by the applicant.

Estimated Value Under Existing Zoning

The site is currently zoned R1-G which allows single family dwellings. To estimate the market value of the three lots under current zoning, we reviewed the existing assessed values of each property and recent sales of comparable single family properties.

Based on our analysis of market evidence, we estimate that the current market value of the three lots is about \$4,435,000¹.

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.

¹ 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 three lots simultaneously.

Based on our land residual analysis, we estimate that the land value supported by the proposed project is about \$4,870,000. This is equivalent to a land value of about \$150 per square foot buildable (on FSR) which is at the upper end of development site sales in Victoria. So this land value estimate may be optimistic. However, given the location of the site we think it is reasonable.

Estimated Increase in Value and Implications for CAC Value

Exhibit 1 summarizes our property value estimates and identifies the implications for the supportable CAC value.

Exhibit 1 – Estimated Increase in Land Value due to Rezoning and Implications for CAC

| | Estimated Values (rounded) |
|--|-------------------------------|
| Total Estimated Value Under Existing Zoning (including assembly allowance) | \$4,435,000 |
| Estimated Land Value Supported by Rezoning | \$4,870,000 |
| Increase in Land Value due to Rezoning | \$435,000 |
| CAC at 75% of Estimated Increase in Value | \$326,000 |

As shown in the exhibit, we estimate that the rezoning will create an additional \$435,000 in land value. The calculated supportable CAC (at 75% of the increased value) is \$326,000.

Conclusions

The estimated increase in land value created by the proposed rezoning of 1733-1737 Fairfield Road is about \$435,000, which (under existing City policy) supports a CAC value of about \$326,000.

Our understanding is that the applicant has agreed to contribute \$350,000 to the owner of the Abkhazi Garden site to transfer a portion of the existing permitted residential density from the Abkhazi Garden site to the proposed project at 1733-1737 Fairfield Road.

The City is considering an application to rezone (downzone) the Abkhazi Garden site to a new site-specific zone that would limit development to the existing use plus some additional floor area for a future accessory building. This rezoning would help ensure retention of the Abkhazi Garden for the long term but lower its market value as a potential urban development site.

The proposed \$350,000 contribution from Aryze to the owner of the Abkhazi Garden site is intended to help compensate the property owner for any reduction in value associated with the protection of the Abkhazi site. The proposed payment for the density transfer is higher than the estimated supportable CAC value, so there is no financial room for additional amenity contributions from the proposed project at 1733-1737 Fairfield Road.

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,

CORIOLIS CONSULTING CORP.



Blair Erb