

# Mulholland Parker Land Economists Ltd.

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## **Re: Capitol Iron Site Development Land Lift Analysis**

Mulholland Parker Land Economists Ltd. (MPLE) was retained to update our land lift and amenity contribution analysis for Reliance Properties' (the proponent) proposed rezoning of 1824, 1900, 1907, 1908, 1924, 2010 Store Street and 530 Chatham Street Victoria (the Site) from the existing zone to the proposed new Zone

The purpose of the analysis is to estimate the land lift and amenity contribution on the site from the change in permitted uses on the Site from that which would allow for development of attached and detached buildings up to a maximum of 3.0 FSR (identified as the 'base zoning' using the current mix of CA-3C, M3, and M3-G Zones on the 27,184 square metre Site which would allow for 7,422 square metres of residential, 4,919 square metres of commercial, and 69,212 square metres of light industrial use to a proposed overall density of 3.0 FSR with 17,623 square metres of commercial office and retail, 26,440 square metres of residential strata apartment units above grade, 10,814 square metres of live/work rental, 4,918 square metres of light industrial uses, and 4,654 square metres of Cultural use space.

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. MPLE 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 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 MPLE 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) 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.

We have included \$432,000 for on-site amenities based on information provided by the Developer that the City is willing to accept. We have excluded profit on these landscaping costs from the proforma analysis.

In addition to the SRW areas, the applicant has offered to provide an air space parcel to host the Art Gallery of Greater Victoria as a community amenity contribution. MPLE has used a pro rata share of the BCAA value of the 1907 Store Street site to arrive at an estimate of \$3.25 million for the value of this air-space parcel. This value is identified to note what can be credited toward the CAC calculated and not as a cost item in the proforma.

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 MPLE's understanding that in compliance with current policy, the City has determined that they will seek 75% of the lift for amenities.

MPLE determined strata revenues used in the analyses from a review of recent sales and offerings for sale of recently developed apartments 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. Rents for residential, commercial, retail, and industrial 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 MPLE.

## CONCLUSIONS & RECOMMENDATIONS

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MPLE has estimated the base value for the site using BC Assessment data for the properties as currently zoned. MPLE prepared proformas for the Site as proposed.

When comparing the supported land value for the site as proposed, MPLE has determined that there is lift of \$51,085 on Block 1 and a lift of \$534,726 on Block 2 for a combined lift of \$585,812 in supported land value compared to the assessed value. AT 75% of this value this amounts to \$439,359 for a CAC. However, the estimated value of the air-space parcel at \$3.25 million exceeds the net CAC value. As such, MPLE does not recommend any further CACs be sought as part of this development other than the plaza portion approved by the City and the air space parcel.

I trust that our analysis assists the City in determining the amenity package to be secured through this rezoning.

Yours truly,



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