City of Victoria Density Bonus Policy Study: For Sites Outside the Downtown Core Area

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Summary

The City of Victoria is examining the potential to introduce a new density bonus policy for locations outside of the Downtown Core Area in order to achieve higher redevelopment densities while also obtaining amenity contributions from rezonings.

The City already has a Community Amenity Contribution (CAC) policy in the Downtown Core Area, in which rezonings and amenity contributions are negotiated on a site-by-site basis.

The City's current practice for rezonings outside of the Downtown Core Area also involves negotiating CACs on a site-by-site basis. The City wants to explore the feasibility of using target fixed rates to calculate CACs outside of the Downtown Core Area for these reasons:

1. The large number of sites outside of the Core Area that are designated for potential additional density and the opportunity for greater efficiency in using fixed rates over individual site-by-site negotiations.
2. The recent guideline document published by the Provincial Government indicating that the use of fixed rates may offer greater transparency and predictability to the development process.
3. Potential for greater clarity/certainty for all stakeholders if the CAC amount can be calculated up-front.
4. Preference expressed by some stakeholders for fixed rates over site-by-site analysis.

Therefore, the City retained Coriolis Consulting Corp. and Landeca to evaluate the feasibility of implementing a fixed rate CAC system.

Recommendations

1. The City should divide rezonings into two different categories:
   a) Major rezonings, including:
      - Rezonings of large sites (e.g., over one City block) that will require the dedication of part of the site for new roads and services.
      - Rezonings of sites that have been identified as a location for a large on-site amenity or public facility as part of the rezoning process (e.g., park space, community centre).
      - Sites that are being rezoned from industrial or institutional uses to residential or mixed-use.
      - Rezonings that exceed the density identified in the OCP.
   b) Smaller, typical rezonings, where the rezoning involves a small site and the rezoning is from residential or commercial to apartment or mixed-use residential and commercial.
2. CACs should continue to be negotiated for major rezonings as it is not possible to determine the appropriate CAC from these types of rezonings in advance of a detailed development application that outlines the mix of uses, heights, density and on-site servicing and infrastructure requirements. Therefore, these are not good candidates for a fixed-rate target CAC.
3. The total value of a negotiated CAC for a major rezoning should take into account the estimated cost of creating the amenities that the City wants at the site or in the neighbourhood, but the CAC should not exceed 75% of the increase in property value created by the rezoning over the higher of:
   a) The site's value under existing use and zoning.

b) The site's land value under the base density permitted in the OCP.

Otherwise, the rezoning will not be financially viable for developers.

4. A fixed rate CAC target should be applied to smaller, typical rezonings. We recommend that:

   a) The fixed rate be set at $5 per square foot of additional floorspace[1] permitted over the greater of the OCP base FSR or existing zoning FSR (the existing zoning for some sites allows greater density than the base OCP density).
   b) Projects that include at least one floor of upper floor office space should be exempt from CACs as the inclusion of a significant office component will impact the ability of the project to provide any CAC.
   c) Projects where the City requires new rental apartment units or the replacement of existing rental apartment units (either on-site or at an alternate site) should be exempt from CACs as the rental housing component will impact the ability of the project to provide any CAC. The extent of the impact will depend on the details associated with the rental housing component (i.e., number, size, parking, rent rates).
   d) Rezonings of sites in the Small Urban Village designation should be exempt from CACs (unless the density exceeds the 2.0 FSR identified in the OCP) as rezonings of these sites to 2.0 FSR will not increase the value of the property.

   There may be smaller rezoning applications where the developer determines that the fixed rate CAC target is inappropriate and in those cases, the developer should have the option of requesting a negotiated CAC (at the applicant's expense).

5. If the City implements a fixed rate target CAC for sites outside the Downtown Core Area, we have the following suggestions to consider as part of the implementation:

   a) The City should ensure that all stakeholders (community/neighbourhood associations, property owners, real estate industry professionals, developers, etc.) are aware of the CAC policy and how it relates to the OCP and planned amenities in the City.
   b) The City should identify neighbourhood-specific amenities to fund with amenity contributions. CAC funds should be clearly earmarked to specific public amenities within the neighbourhood in which the development takes place. Pooling funds into a City-wide fund does not allow the neighbourhood receiving new development to gain from the amenity contribution. The Local Area Planning process should identify and the specific amenities needed within each neighbourhood.
   c) In order to achieve the density identified in the OCP, some projects may need to include an additional level of underground parking. The cost of an additional level of underground parking can impact the financial viability of a rezoning. The City should examine the opportunity to reduce off-street parking requirements. If parking requirements can be reduced, it will improve the economics of rezoning and redevelopment for some projects.

6. The City should monitor the CAC program:

[1] The $5 per square foot CAC on the additional permitted floorspace is equivalent to a maximum of about $1 to $2 per square foot of overall gross project floorspace depending on the OCP designation and the existing zoning.

a) Target fixed rates should be adjusted annually based on a publicly available indicator of construction cost inflation in the Victoria market, such as the Statistics Canada non-residential construction cost index.
b) Periodically (say every three years), the fixed rates should be reviewed to account for changes in the market value of developments sites and the market value of bonus density.
c) Any increase in City fees and levies could affect the ability of rezonings to make an amenity contribution. Therefore, if the City increases fees and levies, it should consider the impact on CACs.
d) The costs of the administering the CAC program should be monitored and compared with the revenue generated from the program to ensure it is cost effective.

1.0 Introduction

1.1 Background

The City of Victoria is examining the potential to introduce a new density bonus policy for the areas outside of the Downtown Core Area, in order to achieve higher redevelopment densities while also obtaining amenity contributions from rezonings that will address the impacts of growth and provide benefits to the neighbourhoods that are absorbing extra commercial or residential development.

The City already has a Community Amenity Contribution (CAC) policy in the Downtown Core Area, in which rezonings and amenity contributions are negotiated on a site-by-site basis.

The City's current practice for rezonings outside of the Downtown Core Area also involves negotiating CACs on a site-by-site basis. The City wants to explore the feasibility of using target fixed rates to calculate CACs outside of the Downtown Core Area.

The main reasons that City is interested in the possibility of using a target fixed rate approach include:

1. The large number of sites outside of the Core Area designated for potential additional density and the opportunity for greater efficiency in using fixed rates over individual site-by-site negotiations.
2. The recent guideline document published by the Provincial Government indicating that the use of fixed rates may offer greater transparency and predictability to the development process.
3. Potential for greater clarity/certainty for all stakeholders if the CAC amount can be calculated up-front.
4. Preference expressed by some stakeholders for fixed rates over site-by-site analysis.

Therefore, the City retained Coriolis Consulting Corp. and Landeca to evaluate the feasibility of implementing a fixed rate CAC system.

1.2 Approach

To evaluate the feasibility of implementing a fixed rate approach and to identify a preferred approach, we:

1. Reviewed CAC and density bonus approaches in other municipalities.
2. Reviewed the recently released provincial guide for density bonusing and amenity contributions.
3. Interviewed representatives of UDI and the Victoria development industry to help understand their perspective on CACs in general and on a fixed-rate approach specifically.
4. Completed detailed financial analysis for a cross section of different properties located in the four different designations to help determine if rezoning and redevelopment is financially viable and if so, whether there is additional property value created by the rezoning.

1.3 Report Organization

This report is organized as follows:

- Section 2.0 identifies the study area for the density bonus policy analysis.
- Section 3.0 provides an overview of density bonusing and amenity contributions, including existing legislation, different approaches that are used, the recently published Provincial guide, the urban land economics rationale, and examples of fixed rate CACs in other municipalities.
- Section 4.0 summarizes comments that were received from local Victoria developers and UDI as input to our analysis.
- Section 5.0 summarizes the case study financial analysis completed for the study.
- Section 6.0 identifies and evaluates the policy options that could be considered by the City.
- Section 7.0 provides our recommended approach for CACs outside of the Downtown Core Area.
- Section 8.0 identifies other issues identified during the course of our analysis that should be considered by the City.
- The Attachments include the detailed case study financial analysis.

1.4 Professional Disclaimer

This document may contain estimates and forecasts of future growth and urban development prospects, estimates of the financial performance of possible future urban development projects, opinions regarding the likelihood of approval of development projects, and recommendations regarding development strategy or municipal policy. All such estimates, forecasts, opinions, and recommendations are based in part on forecasts and assumptions regarding population change, economic growth, policy, market conditions, development costs and other variables. The assumptions, estimates, forecasts, opinions, and recommendations are based on interpreting past trends, gauging current conditions, and making judgments about the future. As with all judgments concerning future trends and events, however, there is uncertainty and risk that conditions change or unanticipated circumstances occur such that actual events turn out differently than as anticipated in this document, which is intended to be used as a reasonable indicator of potential outcomes rather than as a precise prediction of future events.

Nothing contained in this report, express or implied, shall confer rights or remedies upon, or create any contractual relationship with, or cause of action in favor of, any third party relying upon this document.

In no event shall Coriolis Consulting Corp. be liable to the City of Victoria or any third party for any indirect, incidental, special, or consequential damages whatsoever, including lost revenues or profits.

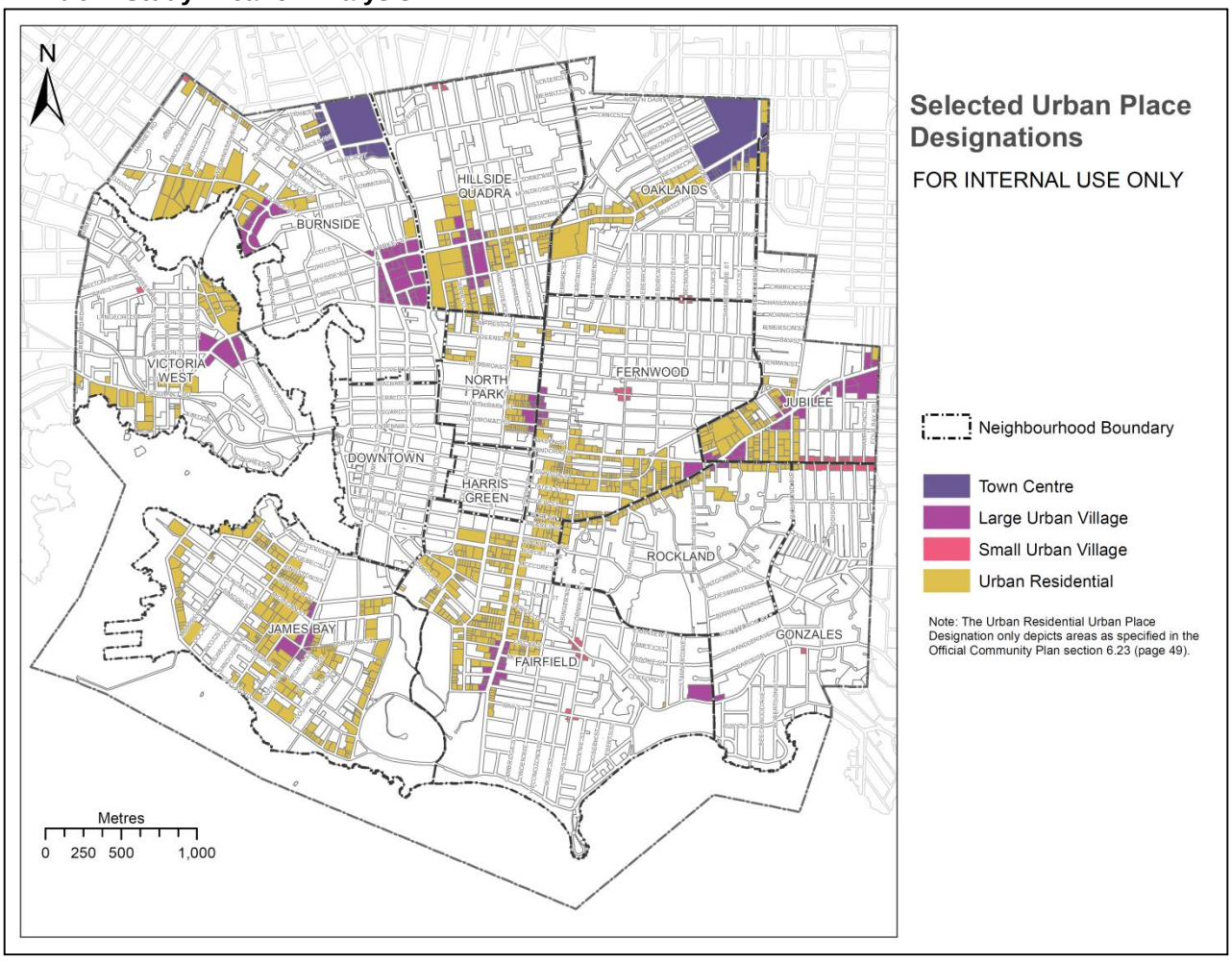
2.0 Study Area

In specific areas outside the Downtown Core Area (shown in the map below), the OCP includes base densities and potential discretionary additional density to be considered for some sites in four specific land use categories.

1. Town Centres, with base densities of up to 2.0 FSR and increased density up to approximately 3.0 FSR.
2. Large Urban Villages, with base densities of up to 1.5 FSR and increased density up to approximately 2.5 FSR.
3. Small Urban Villages, with base densities of up to 1.5 FSR and increased density up to approximately 2.0 FSR.
4. Urban Residential, with base densities of up to 1.2 FSR and increased density up to approximately 2.0 FSR.

The study area for our analysis is comprised of the properties in these four OCP designations (Exhibit 1).

Exhibit 1: Study Area for Analysis



3.0 Overview of Density Bonusing and Amenity Contributions

3.1 Legislation

In BC, municipal authority to zone land (i.e. to regulate land use and urban development) flows from the Local Government Act. Municipalities can use their zoning authority to achieve amenities in two different ways:

1. Zoning for amenities and affordable housing pursuant to Section 904 of the Local Government Act. The use of Section 904 is often called density bonus zoning or density bonusing.
2. Negotiating the provision of amenities as part of a rezoning approval. Many municipalities refer to this as obtaining Community Amenity Contributions (CACs) via rezonings.

3.1.1 Density Bonus Zoning

Section 904 of the Local Government Act states that a zoning bylaw may establish different density regulations for a zone, with one density that is generally applicable in the zone and another that is available if certain conditions are met. These conditions can be related to the provision of amenities and the provision of affordable housing.[2]

Excerpt from Section 904 of the Local Government Act

"(1) A zoning bylaw may:
- *(a) establish different density regulations for a zone, one generally applicable for the zone and the other or others to apply if the applicable conditions under paragraph (b) are met, and*
- *(b) establish conditions in accordance with subsection (2) that will entitle an owner to a higher density under paragraph (a).*

(2) The following are conditions that may be included under subsection (1)(b):
- *(a) conditions relating to the conservation or provision of amenities, including the number, kind and extent of amenities;*
- *(b) conditions relating to the provision of affordable and special needs housing, as such housing is defined in the bylaw, including the number, kind and extent of the housing;*
- *(c) a condition that the owner enter into a housing agreement under section 905 before a building permit is issued in relation to property to which the condition applies.*

(3) A zoning bylaw may designate an area within a zone for affordable or special needs housing, as such housing is defined in the bylaw, if the owners of the property covered by the designation consent to the designation."

Based on the language in the Local Government Act, a zoning district with density bonus provisions typically defines:

- A base density that can be developed without providing any amenities or affordable housing.

[2] The practice of using density bonus zoning for project design related features (e.g. a base density and a bonus density that is achievable if a project includes say underground parking) has been used by some municipalities for a long time. Over the past decade or so, there has been an increasing trend towards using density bonus zoning for obtaining amenities and other public benefits from new development.

- Additional density, up to a defined maximum, that can be obtained by providing amenities (or cash-in-lieu) or affordable housing as prescribed by the zoning bylaw.

The following conditions must be true for density bonusing to be effective and supported in a given community or development site:

- The identification of sites eligible for the extra density should be based on sound community and urban development planning. Presumably, density bonusing helps to implement a community planning and urban design process that identifies appropriate locations for additional density and determines appropriate increases in density or height.
- The extra density must be able to be physically and appropriately accommodated on the site.
- Developers must perceive that the extra density is marketable and financially attractive. They must have confidence that the additional units (or commercial space) can be marketed in a reasonable time, they must have the wherewithal to take on a larger project, and the extra units or space must be profitable. There are cases in which developers are not interested in the extra density, such as a case in which the extra density requires a shift from wood frame to concrete construction in a market that does not support the extra cost of concrete, a case in which the extra space will take too long to sell or lease, or a case in which the extra density triggers extraordinary costs (e.g. having to construct an entire new level of underground parking to accommodate a small increment in the number of units).
- The cost of any amenities or public benefits provided by the developer must be equal to or less than the value of the bonus density, or the developer will not view the density bonus as financially attractive.
- Typically, the use of the bonus density is at the discretion of the developer. The developer can choose to develop under the base density (without providing amenities) or develop at the higher density by providing the appropriate amenity.
- The process of determining the new density and the appropriate package of public benefits should be reasonably clear and predictable, so developers can decide if they are interested and so the community can decide if the trade-off between absorbing additional density and achieving certain benefits is reasonable.
- Redevelopment sites must trade in the market place at prices supported by the base density, so that developers can afford to pay for the amenities to be provided in exchange for the additional density. If developers build the value of the anticipated bonus density into their land acquisition cost, they will in effect be paying twice for the bonus density (once to the land seller and once to the municipality in the form of the benefits that must be provided). This is one of the key reasons that clarity and predictability are advantageous, so that the developers know what they can pay for sites.

In the absence of these conditions, developers will not be interested in rezoning into a density bonus zoning district and/or will not be interested in using the density bonus provisions within an existing density bonus district.

3.1.2 Amenities Negotiated as Part of Rezonings

Other than Section 904, there is no explicit authority in the Local Government Act providing municipalities with the ability to obtain amenities from the rezoning process. However, the nature of the rezoning process in BC creates the opportunity for municipalities to obtain amenities as part of the approvals process as follows:

- Municipal Councils have the discretionary authority to rezone or not to rezone property. While Councils are not empowered to act contrary to their Official Community Plans (OCPs), there is not a positive obligation to implement policies in the OCP. In particular, there is no obligation to amend zoning to match OCP designations. Consequently, in their OCPs municipalities can designate areas for redevelopment and densification without immediately changing the zoning to match. Councils should determine whether rezonings are in the community interest, which can include considering whether the proposed rezoning generates community benefits that (in the broadest sense) offset any potential negative impacts of the development, help meet the needs of the new population growth, or avoid burdening existing tax payers.
- Rezoning can result in an increase in property value which provides the economic ability for a project to provide public benefits as part of the rezoning.

For this approach to be successful, the following conditions must be true:

- A developer must want the change in land use and/or density. The developer must see an opportunity to make a profitable project under the new (proposed) use and density.
- The cost of any amenity contribution the developer makes must be less than the increase in the property value associated with the rezoning, sometimes significantly less in order to create the financial room to provide an incentive to the land owner to sell their property to the developer.
- Developers must be able to buy development sites based on the value under the existing use and zoning. If developers pay for land based on its value after rezoning, then (from their perspective) the rezoning does not create any increase in property value and there is no financial "room" to make a voluntary amenity contribution.

3.2 Different Approaches to Obtaining Amenity Contributions

There are two different general approaches to obtaining amenity contributions from new development projects:

1. Zoning for amenities and affordable housing pursuant to Section 904 of the Local Government Act (i.e., density bonus zoning).
2. Negotiating the provision of amenities as part of a rezoning approval. This can be implemented through site-by-site negotiations or through the use of a target fixed rate CAC.

Like density bonus zoning, fixed rate CAC targets have the advantages of being predictable and easy to communicate so that developers can anticipate the likely costs of the amenity contribution and factor this into their bid price for land. However, this approach is not suitable for some kinds of rezonings (e.g. sites that are changing use as well as increasing density, sites that have an unusual ability to deliver on-site amenities not easily captured in a standard bylaw such as waterfront or heritage properties, and very large sites that can physically accommodate an array of amenities on-site).

The negotiated system of identifying the value of bonus density is more flexible, because the amenity package can include more site-specific consideration of the impacts and amenity needs of the development project and the project's ability to afford the amenity contribution. The drawback to this approach is that it requires detailed analysis and negotiation, so it requires an investment of staff (or consultant) time and possibly a lengthy process. This is a good approach for large or complex sites that are not amenable to the formulaic approach used in a density bonus system or a fixed rate CAC target system.

Different municipalities use different approaches:

1. Some municipalities set a target fixed rate CAC for use in amenity contribution negotiations during rezonings. This approach is often applied to rezonings that meet certain conditions, such as:
    - Rezonings of small sites,
    - Rezonings in defined geographic areas that have been identified for upzoning with specific guidelines for use, height and density.
    - Rezonings for certain land use changes.
2. Some municipalities negotiate CACs on a site-by-site basis. This approach is often used for more complex or unusual rezonings, such as:
    - Sites that are changing use as well as increasing density, such as the transition from industrial to residential.
    - Sites that have an unusual ability to deliver on-site amenities not easily captured in a standard bylaw (e.g. waterfront or heritage properties).
    - Very large sites that can accommodate an array of on-site amenities.
3. Some municipalities use a mix of the two different approaches.

3.3 Provincial Guide to CACs

In March 2014, the Provincial government published a guide "Community Amenity Contributions: Balancing Community Planning, Public Benefits, and Housing Affordability". The guide's objective is to help "local governments understand the risks, challenges, and recommended practices related to obtaining community amenity contributions (CACs)."[3]

The guide encourages municipalities to think carefully about the approach to CACs to ensure that CACs do not reduce the supply of land available for redevelopment and, thereby, negatively affect housing prices.

The guide encourages the use of density bonus zoning and fixed rate target CACs when possible, but discourages negotiated CACs that focus solely on capturing all of the land lift created by a rezoning. It emphasizes that CAC rates should be moderate to help avoid impacts on development and specifies that there should be a nexus between the CAC and the needs of the community.

The guide focuses on CACs, but notes that density bonus zoning is another way for local governments to obtain community amenities from development and that most of the "recommended principles and practices apply equally to CAC and density bonus approaches."[4]

The guide makes the following key points and recommendations:

1. **Use CACs for capital costs only, not operating costs.** The guide notes that "it is reasonable to expect new development to contribute to the capital costs of infrastructure and amenities necessary to support

[3] Ministry of Community, Sport, and Cultural Development, "Community Amenity Contributions: Balancing Community Planning, Public Benefits, and Housing Affordability." March 2014, page 1.

[4] Ministry of Community, Sport, and Cultural Development, "Community Amenity Contributions: Balancing Community Planning, Public Benefits, and Housing Affordability." March 2014, page 1.

that growth" but "once the new residents and businesses move into that development, they will contribute to the operating costs…through user fees, utility charges, and property taxes."[5]

2. **Plan ahead**. Local governments should identify amenities that are needed to address future growth in their Official Community Plans or neighbourhood plans, and ideally prioritize needed amenities in each neighbourhood.
3. **Remember that CACs are negotiated as part of a discretionary approval of rezoning.** Local governments cannot, strictly speaking, require CACs as a condition of rezoning. "Any contributions must be either at the initiative of the applicant/developer or emerge from rezoning negotiations between the applicant/developer and the local government."[6] Zoning should not be perceived as being "for sale".
4. **Rezoning should be viewed as a means to implement policy for redevelopment and densification, and CACs should be viewed as a means to deal with the impacts and amenity needs of new development**. Do not use rezoning as an arbitrary means of generating municipal revenues.
5. **Make sure that the amount of CAC being sought will not have a negative impact on the price of housing.** The guide notes that the impact of CACs can be different in different areas or circumstances and that it is important for local governments to consider who ultimately pays for the CACs. The guide acknowledges that, based on urban land economics theory, the cost of amenity contributions cannot simply be added to the price of new housing because market prices are set by supply and demand and can't arbitrarily be increased because of a new cost. The primary impact of CACs is to put downward pressure on land values (i.e. developer's will offer lower prices for development sites) where there is a "good supply" of land available for development. The guide notes that there can be negative impacts on house prices (overall house prices not just prices for new units) if a CAC is material enough to decrease the supply of land available on the market (i.e. if too many land owners decide not to sell at the lower bid price), which can lead to a reduced supply of new units and (in the context of supply being less than demand), upward pressure on overall house prices. The guide suggests that amenity contributions should be "modest" to minimize the risk of impact, but does not define modest.
6. **Apply the DCC principles of nexus and proportion to CACs**. The guide suggests that there should be a direct link between CACs and the impacts of new development or a direct link between CACs and the amenity needs of new residents or businesses in the redeveloping area. The guide suggests that CACs from individual applicants/developers should be "proportional to the impact that their development generates and consistent with the CACs made by other applicants/developers"[7], but does not define what "proportional" means.
7. **In priority order, consider these strategies to obtaining amenities**:
   a. **First, consider using zoning measures themselves to increase affordable housing**. Local governments should incorporate measures into their zoning bylaws/districts to allow design features that can reduce the cost of producing housing units and/or encourage additional units, to help increase the supply of affordable housing (e.g. reduce or eliminate setbacks and parking requirements, allow secondary units such as suites and laneway houses).

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5 Ministry of Community, Sport, and Cultural Development, "Community Amenity Contributions: Balancing Community Planning, Public Benefits, and Housing Affordability." March 2014, page 12.

6 Ministry of Community, Sport, and Cultural Development, "Community Amenity Contributions: Balancing Community Planning, Public Benefits, and Housing Affordability." March 2014, page 6.

7 Ministry of Community, Sport, and Cultural Development, "Community Amenity Contributions: Balancing Community Planning, Public Benefits, and Housing Affordability." March 2014, page 10.

   b. **Second, use density bonus zoning because it is predictable, transparent, and easy to implement.**
   c. **If "pre-zoning" land is not practical, set targets for CACs and be open to negotiation at the time of rezoning.** The guide encourages local governments to consult "the development community and/or engage people with expertise in real estate market and financial analysis" to assist in determining appropriate targets.[8]

8. **Negotiating CACs solely on the basis of capturing all of the "land lift" is inconsistent with the principles of planning ahead, having a link between the amenity contributions and the impacts or needs of the development, and being proportional.** There is clearly a place for land lift analysis in the overall process (as the guide supports the use of financial analysis to make sure that CACs are reasonable and affordable for individual projects, and do not have an impact on the housing market), but the guide discourages having a policy that simply seeks to capture 100% of the lift without considering impacts/needs, the nexus between the amenity contribution and those impacts/needs, and proportionality.
9. **Be transparent about CACs**. Local governments should maintain public records of all types of CACs (e.g. financial, physical amenities, land).

3.4 Urban Land Economics Rationale

The reason that development projects are able, in financial terms, to provide amenities in exchange for additional development rights is that the additional development rights have value. Otherwise, a developer could not absorb the cost of an amenity contribution.

When a developer acquires a development site, the developer is buying land of course, but in land economics terms the developer is buying the development entitlements that go along with the land (in the form of zoning). The amount a developer is able to pay for a property is in large part a function of the type and amount of development likely to be approved and the anticipated financial performance of that development.

Exhibit 2 shows in very simple terms the financial performance of a hypothetical development project (in this case a multifamily residential development) in three different scenarios:

- The first scenario assumes the site is zoned for 20 apartment units.
- The second scenario assumes the site is upzoned to allow 30 apartment units with no amenity contribution.
- The third scenario assumes the site is upzoned to allow 30 apartment units with an amenity contribution of $5,000 per additional unit.

The site is assumed to be improved with an existing commercial building that is generating enough rent to support a market value of about $1,100,000 under its existing use (i.e. the value if an investor would pay to hold the property as an income-producing asset). In all three scenarios, the site size, the assumed average selling price of individual units (measured in dollars per square foot), and the assumed construction cost (measured in dollars per square foot) are the same.

[8] Ministry of Community, Sport, and Cultural Development, "Community Amenity Contributions: Balancing Community Planning, Public Benefits, and Housing Affordability." March 2014, page 18.

Exhibit 2: Redevelopment Economics for Hypothetical Apartment Project

	Scenario 1 Site zoned for 20 unit MF project	**Scenario 2** Site up-zoned to 30 units, no amenity contribution	**Scenario 3** Site up-zoned to 30 units with $5,000 per additional unit amenity contribution
Revenue ($360,000/unit)	$7,200,000	$10,800,000	$10,800,000
Costs			
Marketing/commissions (5% of revenue)	360,000	540,000	540,000
Hard & Soft Costs (240,000 per unit)	4,800,000	7,200,000	7,200,000
DCCs ($3,500 per unit)	70,000	105,000	105,000
Profit Allowance (15% of rev)	1,080,000	1,620,000	1,620,000
Cost of rezoning	0	100,000	100,000
Amenity Contribution	0	0	$50,000
Land Value Supported by Development	**$890,000**	**$1,235,000**	**$1,185,000**
Value Under Existing Use	$1,100,000	$1,100,000	$1,100,000
Increase Over Existing Value	negative	$135,000	$85,000
Viable for Redevelopment	no	yes	yes

Scenario 1 is the base case and shows how this project performs, in financial terms, under existing zoning. The developer in this case earns a typical profit (calculated as a margin of 15% of revenue), if the developer pays a maximum of $890,000 for the site. However, the existing use supports a value of about $1,100,000 (if sold to an investor or possibly more if it is an owner-occupier who needs an incentive to relocate) so the site is not attractive for redevelopment at the required profit margin. It is important to note that this is not always the case as some sites are financially attractive for redevelopment under existing zoning. However, this result is typical of the situation in Victoria outside of the Downtown Core Area so it is a good example for this study.

Scenario 2 shows how the project would perform if the site is rezoned to allow a higher density without providing an amenity contribution. The project is bigger so the total revenue from unit sales, total cost, total profit, and total supportable land value are of course higher. However, it is important to note that the profit margin is the same (15% of revenue). The developer's ability to pay for the property increases to $1,235,000 (or $135,000 more than the existing value of $1,100,000) because it allows a larger project (more density). This is higher than the site's value under existing use as an income producing commercial property and also provides an incentive for the land owner to sell, so the site is now financially attractive for redevelopment.

In this case, the rezoning creates additional density and value which makes a site viable for redevelopment that was not viable for development under existing zoning (Scenario 1). The question is now whether the project can also support an amenity contribution.

Scenario 3 shows how the project would work if the site is rezoned with a $5,000 per additional unit ($50,000 in total) amenity contribution. The project is now the same size as in Scenario 2, so the sales revenues,

development, costs, and profit are the same as in Scenario 2. However, in Scenario 3 the developer must provide an amenity contribution as part of the rezoning. In this scenario the developer can now afford to pay $1,185,000 to acquire the site. This illustrates that:

1. The project is still financially viable to the developer.
2. The municipality receives a $50,000 amenity contribution as part of the rezoning.
3. The developer can afford to pay $1,185,000, which is higher than the $1,100,000 existing property value that an investor would pay for the property. This creates the opportunity for the developer to offer an incentive to the existing property owner if they make the property available for redevelopment.

It is important to note that if the municipality attempted to obtain a significantly higher CAC in Scenario 3 (say $15,000 per additional unit), then the rezoning would not be financially attractive for the developer.

These scenarios illustrate key points about rezonings and amenity contributions:

1. The provision of the amenities does not change the price of housing (the units in Scenario 3 sell for the same price as in the other Scenarios).
2. With the amenity contribution, the rezoning is still attractive to the developer, who earns the same profit margin in Scenarios 2 and 3. The difference is that the developer cannot pay the same amount to the land owner in Scenario 3.
3. Land owners often require an incentive to sell their property (particularly if the site is not vacant). The cost of the CAC should be less than the additional value created by the rezoning to create an incentive for the property owner to sell to the developer.
4. The additional value created by a rezoning:
    - Can make redevelopment of a site financially viable when it is not viable under existing zoning.
    - Creates the potential for an amenity contribution.
    - Creates an incentive to the existing owner to sell for the property for redevelopment, if the cost of the amenity contribution is set appropriately.

3.5 Target Fixed Rate CACs in Other Municipalities

The City wants to explore the feasibility of using target fixed rates to calculate CACs for areas outside of the Downtown Core Area, an approach currently used by a number of different municipalities in BC. This section provides some examples of municipalities the Capital Region District and Metro Vancouver that use a target fixed rate approach. Some of these municipalities also use density bonus zoning and site-by-site CAC negotiations. The municipalities included in this section were selected to provide illustrations of the different approaches used by different municipalities. This is not intended to be a comprehensive list of all municipalities that use fixed rate CAC targets or density bonus zoning.

3.5.1 Langford

The City of Langford seeks contributions from rezonings for affordable housing and amenities. The City uses a target fixed rate to determine the appropriate contribution. The target varies by subarea within the municipality and by project type.

1. For townhouse and apartment rezonings the target ranges from a low of $2,135 per unit to a high of about $4,270 per unit.

2. For duplex and small lot single family rezonings the target ranges from a low of $2,310 per unit to a high of about $4,620 per unit (single family subdivisions with 15 lots or more have the option of meeting part of this contribution through the provision of affordable housing units).
3. The rate for commercial, business park and industrial rezonings ranges from zero to $1.00 per square foot of floorspace, depending on the location.

3.5.2 Colwood

The City of Colwood seeks contributions from multifamily rezonings for affordable housing and amenities. The City uses a target fixed rate to determine the appropriate contribution. The target varies by project type.

1. For apartment rezonings the target is $1,500 per additional unit permitted by rezoning.
2. For detached, duplex and townhouse rezonings the target is $3,000 per additional unit permitted by rezoning.

3.5.3 North Saanich

The District of North Saanich seeks contributions from residential rezonings for affordable housing and a variety of amenities. The District uses a target fixed rate to determine the appropriate contribution. The target varies by project type.

1. For apartment rezonings the target is $8,000 per unit permitted by rezoning.
2. For townhouse rezonings the target is $9,500 per unit permitted by rezoning.
3. For single family rezonings the target is $16,000 per additional lot permitted by rezoning.

3.5.4 Saanich

The District of Saanich does not have an official amenity contribution policy. However, planning staff indicated that it the District's practice to request an amenity contribution in the range of $1,000 to $1,500 per housing unit for rezonings. This is consistent with the contributions provided by recent rezonings in Saanich that we examined. The expected contribution ranges depending on the project's characteristics.

3.5.5 Vancouver

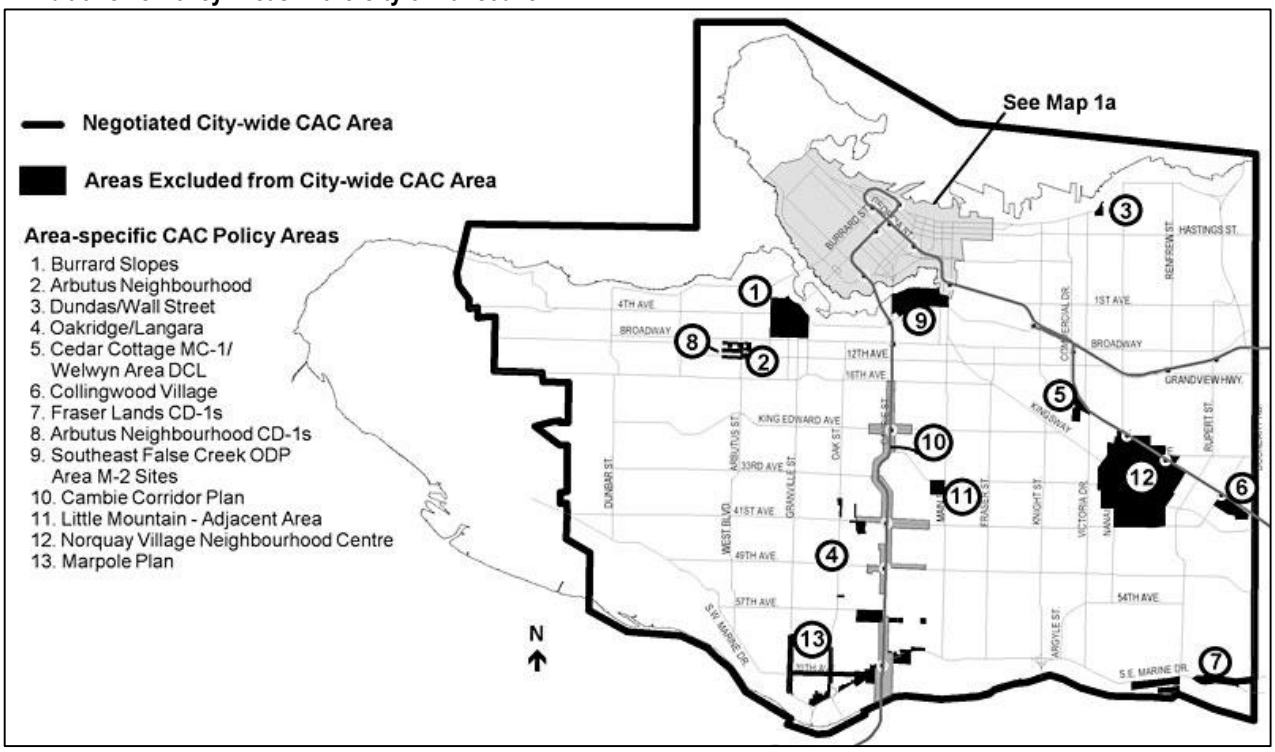
The City of Vancouver obtains amenity contributions from new projects that involve rezoning via site-by-site negotiations (for “non-standard” rezonings) and fixed rate target CACs (for “standard” rezonings and rezonings in some specific areas in the City). It also recently implemented density bonus zoning in the Marpole Community Plan area and in the West End Community Plan area.

There are two types of CAC policy areas in Vancouver (see Exhibit 3):

1. *The City-wide CAC area*, which applies to most of the City. Vancouver sometimes seeks a fixed rate target City-wide CAC and sometimes negotiates the City-wide CAC, depending on the nature and location of the project.
2. *Area-specific CAC areas*, which have their own area-specific CAC and/or public benefit policies and are not subject to the City-wide CAC. In most cases, these areas have a fixed rate target CAC (although

some have a fixed rate target CAC that applies to certain types of rezonings and CACs are negotiated for other types of rezonings).

Exhibit 3: CAC Policy Areas in the City of Vancouver



Source: City of Vancouver website, http://vancouver.ca/home-property-development/community-amenity-contributions.aspx, July 2014.

1. Fixed Rate Target Amenity Contributions. Vancouver seeks a fixed rate target City-wide CAC of $3.00 per square foot of the net increase in floorspace permitted by the rezoning for "standard" rezonings, which include rezonings involving small projects outside of Downtown that do not involve a transition from industrial to residential use. However, City staff are currently reviewing the $3.00 per square foot fixed rate CAC as it has been in place since 1999 and is not reflective of the current market in Vancouver. In addition, this rate is rarely used as most rezonings are in locations that are excluded from the City-wide rate.

   Specific areas of the City are excluded from the City-wide CAC and are subject to an Area-specific CAC. Vancouver is increasingly using Area-specific target CAC rates. In most cases, the Area-specific CAC includes a fixed rate target CAC (although this sometimes only applies to certain types of rezonings and amenity contributions are negotiated in other types of rezonings). As examples:

   - An area-specific target CAC of $11.50 per square foot is sought from private M-2 (industrial) sites undergoing a rezoning in Southeast False Creek.
   - An area-specific target CAC of $15 per square foot is sought from apartment rezonings in the Norquay Village Centre Transition Area.
   - An area-specific target CAC of $23.00 per square foot is sought from all rezoning proposals for low to mid-rise apartments in the Little Mountain Adjacent Area.

- An area-specific target CAC of $55.00 per square foot is sought from all 4 to 6 storey multi-family rezoning proposals in the Cambie Corridor Plan Phase 2 Area. Amenity contributions from other rezoning applications in the Cambie Corridor Phase 2 Area will be negotiated on a site-by-site basis.
- An area-specific target CAC of $55.00 per square foot is sought from all multi-family rezoning proposals for projects up to 6 storeys in the Marpole Community Plan Area. We understand that this target CAC was set at about 75% of the estimated land lift. Amenity contributions from other rezoning applications in the Marpole Community Plan Area will be negotiated on a site-by-site basis.

2. Negotiated Amenity Contributions. Vancouver seeks a negotiated CAC for "non-standard" rezonings which involve:
   - Large sites (i.e. sites with a lot area greater than 2 acres in most cases, but greater than 1 acre if the site is in a Community Vision designated Neighbourhood Centre or Shopping Area).
   - A change in use from industrial to residential.
   - A site in Downtown.

   As noted above, there are also some cases where a site is in an Area-specific CAC area, but the policy notes that the City will negotiate the CAC. For example, in the Marpole Community Plan Area the City has a fixed rate target CAC for some types of rezonings (i.e. rezonings to allow 6 storey multi-family residential projects) and negotiates the CAC for all other types of rezonings in this area.

   Vancouver uses the land lift approach when negotiating CACs and typically seeks a CAC in the range of 75% to 80% of the increase in property value.

3. Density Bonus Zoning. Vancouver has used density bonus zoning for a long time for project design-related items (e.g. underground parking), but until recently it has not used density bonus zoning for amenities. However, during 2014, the City implemented density bonus zoning in the Marpole Community Plan area (to obtain affordable housing, heritage retention, and amenities) and in the West End Community Plan area (to obtain social housing and market rental housing). For example, in Marpole:
   - The Marpole Community Plan (which was adopted in 2 April 2014) identified some areas that are suitable for 4 storey apartment and townhouse/row-house development and noted that the City would initiate rezoning bylaws for these areas that include a density bonus provision where projects will contribute a per square foot value on the approved net increase in density towards community amenities.
   - After the adoption of the Marpole Community Plan, the City drafted amendments to the Zoning Bylaw including four new zones (RM-8, RM-8N, RM-9, and RM-9N) and changes to the general regulations to support density bonusing in certain areas of Marpole.
   - In May 2014, Vancouver City Council approved the proposed zoning amendments and they are now in effect. As envisioned in the Marpole Community Plan, the City pre-zoned sites into the new zoning districts.
   - The new zones include a base density (0.75 FSR), a range of bonus density that can be obtained for providing an amenity (which varies depending on site size and frontage but the maximum density is up to 2.0 FSR), and details about the amenity contribution that must be provided in exchange for the bonus density. The amenity contribution is either secured market rental housing or social housing, heritage retention, and/or a defined contribution per square foot of the net increase in density towards amenities or affordable housing ($10 per square foot of additional floorspace up to 1.2 FSR and $55 per square foot of additional floorspace beyond 1.2 FSR).

3.5.6 New Westminster

New Westminster uses a variety of approaches to obtain amenities from new development:

1. Density Bonus Zoning. New Westminster has existing density bonus zoning districts with defined base densities, defined bonus density, and a schedule of rates (dollars psf of bonus density) that apply to townhouse and low-rise multiple unit residential zoning districts. The bonus density rates currently range from $22.50 to $80.00 per square foot of bonus density depending on the type of project.

   New Westminster is in the process of creating additional new bonus zoning districts with defined base densities, defined bonus densities, and a schedule of rates (dollars psf of bonus density) that developers can rezone sites in Downtown into (excluding heritage sites) for high density residential and mixed use projects. New Westminster is not planning to pre-zone properties into these new bonus zoning districts (as it did with the townhouse and low-rise zoning districts), so this approach means that (in theory) any given development project in Downtown will have three options:

   - Proceed under the site's existing zoning.
   - Apply to rezone the site into one of the new density bonus zoning districts. In this case, developers may or may not attempt to negotiate some aspects of the zoning districts. In other words, there may still be some elements of negotiation regarding the bonus.
   - Apply to rezone the site to a CD zone and negotiate amenity contributions on a site-specific basis.

2. Fixed rate Target Voluntary Amenity Contributions (VACs). For small scale rezonings from single family to low-rise apartment use (with a maximum density of 1.8 FSR and less than 80 units), the City often uses a fixed rate target VAC (dollars per unit) as the basis for negotiations with the applicant. The fixed rate target varies between the Mainland ($1,250 per unit) and Queensborough ($1,000 per unit).
3. Negotiated Amenity Contributions. For other rezonings (not including sites that will rezone into the new Downtown density bonus zoning districts), the City negotiates the VAC based on the estimated increase in property value associated with the rezoning approval (proforma approach).

3.5.7 District of North Vancouver

The District of North Vancouver obtains amenities from new development in two ways:

1. The District negotiates a fixed rate target CAC from most residential projects that involve rezoning and that are not located in a Town or Village Centre. However, its policy notes that there may be rezoning applications where the District or developer finds that the fixed rate target CAC is not appropriate and therefore the CAC can be negotiated instead.

   For sites within an area contemplated for increased density in the OCP but outside a Centre, the District's policy notes that "CACs should be required and should be calculated as follows:

   - $5.00 per square foot of increased residential gross floor area for townhouse, duplex, triplex, or similar development.
   - $15.00 per square foot of increased residential gross floor area for apartment development.

   The increase in residential gross floor area is calculated as the proposed gross floor area in the development project less a deemed base density for the site depending on its current zoning and building form, which is outlined in the District's Amenity Contributions Policy. The deemed base density closely matches existing zoning.

2. The District negotiates CACs on a case-by-case basis for residential rezonings in its four Centres (i.e. Lower Lynn, Lynn Valley, Lower Capilano, and Maplewood).

   For sites within a Centre (i.e. Lower Lynn, Lynn Valley, Lower Capilano, Maplewood) where a developer is seeking an increase in density or change in land use and for sites outside of Centres for which the District or developer finds the fixed rate target CAC to be inappropriate, CACs are negotiated on a case-by-case basis. The District typically retains a consulting firm to help estimate the increase in the market value of the land attributable to the proposed density increase and then seeks to negotiate about 75% of the land lift for sites in Centres and about 50% to 75% of the land lift for sites outside of Centres.

The District is currently reviewing its approach to obtaining amenities from new development with the objectives of updating the fixed rate target CAC figures it currently seeks outside of Centres and looking for more opportunities to use fixed rate target CACs.

3.5.8 Richmond

Richmond has formulaic density bonus zoning in most of its residential zones (including single detached, infill residential, townhouse, and apartment zones), its mixed use zones in the City Centre, and some of its industrial zones.

Individual zoning districts include a base density as well as bonus density (or tiers of bonus density) that can be achieved by meeting certain conditions. Some of the bonus density can be achieved by meeting criteria that are unrelated to the provision of community amenities (e.g. extra density that can be used to provide amenity space within the project that serves residents of the project). Some of the bonus density, though, is directly tied to the provision of community amenities (i.e. affordable housing; child care; community amenity spaces such as recreation, library/exhibit, and museum uses; the Capstan Way Canada Line Station, and the provision of commercial space). Richmond's Zoning Bylaw defines the amount of amenity to be provided for projects depending on the zone. The charges range from:

1. $1.00 to $4.00 per square foot buildable for contributions to the affordable housing reserve.
2. $0.80 to $4.00 per square foot buildable for contributions to the child care reserve.
3. $0.75 to $4.00 per square foot buildable for contributions towards community amenities (e.g. community recreation, library and exhibit space, heritage).
4. $7,800 per dwelling unit for contributions to the Capstan station reserve (as of September 2011, with the rate to be adjusted annually based on the BC CPI).

In most cases, in order to use the bonus density the site must be rezoned (i.e. Richmond created zones with density bonus provisions but they did not automatically apply to any sites) and there are requirements to enter into other kinds of agreements (e.g. housing agreement).

For example, Richmond's "Residential/Limited Commercial" zone accommodates mixed use projects with mid to high-rise apartments and a limited amount of commercial space in Richmond's City Centre. The zone has five sub-zones which vary in terms of the base density, amount of bonus density, and the amenity that must be provided in order to achieve the bonus density. Some of the tiers of bonus density can be achieved for providing amenity space for the project itself, but some of the tiers of bonus density can be achieved for providing amenities that help the City achieve its goals related to affordable housing, child care (e.g. there is a 1.0 FAR commercial bonus if 5% of the bonus is used for child care space or community facilities), vitality of the City Centre, and the Capstan Way Canada Line Station.

The Zoning Bylaw and City Centre Area Plan set out the amount of bonus density that is available for developers at their discretion and the amenity that must be provided in return.

3.5.9 West Vancouver

West Vancouver obtains amenity contributions from new development via formulaic density bonus zoning in Ambleside and via negotiated amenity contributions at rezoning elsewhere in the municipality.

West Vancouver's OCP outlines the broad objective of securing amenities from new development and it has a separate policy document ("Public Amenity Contribution Policy") that outlines the framework for obtaining amenity contributions from new development.

1. Density Bonus Zoning. West Vancouver has formulaic density bonus zoning in two of its zoning districts in the Ambleside Town Centre: Ambleside Centre Zone 1 (AC1) and Ambleside Centre Zone 2 (AC2).

   The maximum permitted density for both the AC1 and AC2 zones is 1.0 FAR. If a community amenity contribution is provided in accordance with the formula outlined in the Zoning Bylaw, the density can be increased up to a maximum of 1.75 FAR. The formula can be summarized as follows:

   - For mixed use commercial/residential buildings, the developer must provide $15.00 per square foot of bonus density between 1.0 and 1.4 FAR, and $50.00 per square foot of bonus density between 1.4 and 1.75 FAR.
   - For primarily residential buildings where commercial floorspace is less than 20% of the building area, the developer must provide $50.00 per square foot of bonus density between 1.0 and 1.75 FAR.
   - The above-noted rates were as of 2008. The CAC rate is adjusted on July 1st of each year based on the Statistics Canada Consumer Price Index for All Items in Greater Vancouver (2008=100).

2. Negotiated Amenity Contributions. West Vancouver also negotiates amenity contributions from projects undergoing rezoning outside of Ambleside. The District's policy notes that it will consider the size of the project, its impacts on the community, how well the project responds to the OCP and other policy objectives, and project viability in determining the appropriate amenity contribution. While not specifically expressed in the policy, staff reports regarding negotiated amenity contributions from individual projects note that it is the District's practice to seek amenity contributions or cash-in-lieu equivalent to 75% of the land lift.

3.5.10 Summary

1. Fixed rate CAC targets (and density bonus zoning with fixed rates for bonus density) are used by many municipalities in BC, including municipalities in the Capital Region.
2. The use of fixed rate CAC targets is increasingly common in BC.
3. Target CAC rates and density bonus rates range widely depending on:
   - The location because the value of rezonings differs across locations due to differences in market conditions and land values.
   - The type of rezoning project because different rezonings have different impacts on property value.
   - The definition of the base density to which the rate is applied. Some CAC rates are applied to all units in the project and some just to the additional units (or floorspace) permitted by the rezoning.

- Local municipal practice.

4. Many municipalities use a mix of approaches to obtain CACs.

3.6 Implications

There are different tools that municipal governments can use to obtain amenity contributions from new development projects, including rezoning sites into density bonus zoning districts or negotiating amenity contributions as part of a rezoning process (either site-by-site or using a fixed rate CAC target).

In order for either approach to be effective, some key conditions must be true:

1. There must be market demand for the additional floorspace opportunity created by the new zoning.
2. Development under the proposed new zoning district must be financially attractive.
3. The cost of any amenity contribution the developer makes must be less than the increase in property value associated with the additional development rights created by the new zoning. If the cost is too high, it could reduce the supply of development sites in the municipality.
4. The cost of the amenity contribution should be less than the additional value created by the rezoning so the developer can provide an incentive to the property owner to sell.
5. Fixed rate CAC targets (and density bonus zoning with fixed rates for bonus density) are used in numerous municipalities in BC, including municipalities in the Capital Region.
6. The use of fixed rate CAC targets is increasingly common in BC as they are supported by the Provincial guide and have a number of advantages over site-by-site negotiated CACs, such as:
   - Increased certainty for developers, land owners, the City and the community.
   - Reduced time during the rezoning process to determine the appropriate CAC value.
   - Less cost during the rezoning process to determine the appropriate CAC value.
   - Reduced load on City staff.
7. Target CAC rates and density bonus rates range widely depending on:
   - The municipality because the value of rezonings differs across municipalities due to differences in market conditions and land values.
   - The type of rezoning project because different rezonings have different impacts on property value.
   - The definition of the base density to which the rate is applied. Some CAC rates are applied to all units in the project and some just to the additional units (or floorspace) permitted by the rezoning.
8. Many municipalities use a mix of different approaches to CACs, including fixed rate CAC targets, site-by-site negotiated CACs, and density bonus zoning.

4.0 Comments from Victoria Developers

As input to our analysis, we contacted developers who are active in the multifamily and mixed use market in Victoria, with a focus on developers who are active outside of the Downtown Core Area.

1. We held a workshop with local developers at the start of the study. The intent of the workshop and interviews was to discuss the City's current approach to CACs, the advantages and disadvantages of a fixed rate approach, and market conditions in Victoria as input to our analysis.
2. Because some developers were not available for the workshop, we held telephone interviews with the UDI and individual developers who could not attend the workshop.
3. After we had completed our analysis, we presented our findings to local developers and UDI representatives to obtain feedback on our findings and recommendations.

Developer participants expressed some concerns about the current use of a negotiated CAC approach for the development sites outside of the Downtown Core Area, and indicated general support for the idea of a fixed rate approach provided the rate is set low enough to allow redevelopment to occur.

Developers that participated in our workshop and telephone interviews raised these points about CACs:

1. **CACs in Principle**. Most developers were not supportive of CACs in principle, but acknowledged that amenity contributions are part of the approvals process in many municipalities and expected by local community groups as part of an upzoning. There is concern that a density bonus policy might act as a disincentive to achieving the type of vibrant, mixed-used development and additional density that the City's OCP calls for; there is concern that the policy would be perceived as an additional fee on development. There is also a concern that a fixed rate approach may not allow for the optimal development of 'the right building in the right place' and result in development/density directed by a calculation rather than good urban planning and urban design principles.
2. **Fixed Rate Preferred over Negotiated Approach**. A fixed rate approach offers more clarity/certainty. Developers expressed concern that the small lot sizes/project sizes in the areas outside of the Downtown Core Area would not support the costs of individual site analysis and negotiation.
3. **Need to Streamline Rezoning Process Time and Costs**. There is concern that the current development approval process is too cumbersome, time-consuming (12 to 18 months or more) and uncertain, resulting in some applicants not electing to seek full development potential in an effort to save time/costs and to lower risk. It would seem that some sites are being developed under existing zoning, through Development Permit processes only to avoid the lengthy and uncertain rezoning and CAC process.
4. **Approvals Uncertainty**. Developers indicated that it is often challenging to achieve the maximum density identified in the OCP due to community opposition toward building height. If the OCP density cannot be achieved, then there it has a negative impact on the ability of a rezoning to help fund amenities.
5. **Loss of Development to Other Com**munities. Other communities have had greater success in attracting development by streamlining the approval process. There is concern that some development may migrate to adjacent municipalities (i.e., to Saanich) if the CAC process or cost is onerous.
6. **Unique Market**. The local Victoria market is unique and very different from Vancouver and the Lower Mainland communities, where land values, densities and market demand (pre-sales) support high CACs. Additional costs such as amenity contribution costs may act as a deterrent to redevelopment in Victoria.

7. **Market Timing**. Demand for new apartment units and commercial space in Victoria is currently soft. The introduction of any new CAC policies should be timed to coincide with improved market conditions to minimize any impact on new projects. However, it should be noted that the City already negotiates CACs from rezonings.

8. **Impact of other City Fees and Levies**. The City charges a variety of fees and levies on new development, such as application fees and DCCs. Any increase in City fees and levies will reduce the ability of rezonings to make an amenity contribution. Therefore, if the City increases fees and levies, it should consider the impact on CACs.

9. **City Gains from Property Tax Increase**. The City gains from increased property tax revenue as a result of rezoning and redevelopment, which should help support community amenity costs. If the cost of density bonus policy acts as a disincentive to pursuing the additional density, then the City loses both the one-time density bonus contribution, and the long-term property tax increase of the unrealized density.

   However, it should be noted that any increased property tax revenue from new residential development is often required to fund the additional municipal operating costs associated with the increased population so there may not be net additional revenue to help fund amenities. Commercial development has greater potential to generate net additional property tax revenue as commercial tax rates are higher than residential rates and commercial development typically has less financial impact on municipal operating costs.

10. **Land Acquisition Costs**. Most sites have existing improvements that make a significant contribution to existing property value. Rezoning is often required to make redevelopment of these properties financially viable, creating little or no financial room for an amenity contributions. In addition, for vacant or under-utilized sites, property owners are currently seeking full rezoned site values, not base density values. Until market forces drive values down to more realistic levels, some sites will remain undeveloped/underutilized.

11. **Form of Development**. Cost to provide underground parking often makes projects non-viable. In some cases, development under existing zoning, 3-stories with surface parking, is the preferred model. In addition, concrete construction is very costly so most of the sites outside of the Downtown Core Area will be wood-frame, low to mid-rise development.

12. **Office development**. The financial viability of office development is more challenging than residential development. CAC policy should take into account the impact of office space on the financial viability of a new project.

13. **Amenities**. The developers and the community need clarity as to where CAC funds are being spent. There needs to be a clear link between the contribution and the amenity realized in the community, particularly where funds are being received by the City rather than on-site, tangible amenities.

14. **Rental Apartment Units**. The City requires that any rental units be replaced when an older rental building is redeveloped. This policy often makes redevelopment of these sites not viable.

In summary, the developers that we contacted are not in favour of CACs in Victoria, but acknowledged that it is part of the approval process. If the City is going to implement a new policy outside of the Downtown Core Area, the preferred approach is a fixed rate target CAC rather than site-by-site negotiations.

In general, the developers expressed support for a fixed rate approach over a negotiated approach because a fixed rate approach will provide greater clarity and help streamline the approvals process. This was

perceived to be particularly important for the smaller-scale rezonings that are likely to occur outside the Downtown Core Area.

It was recognized that establishing a fixed rate will not work for all development sites, but that on average, there will be a net positive result provided the rate is set low enough to not act as a deterrent to development. It was emphasized that some types of rezonings, such as rezonings involving the creation of new rental apartment units or office projects typically cannot afford to make amenity contributions.

5.0 Case Study Financial Analysis

To estimate the CAC that is likely supportable for rezonings outside the Downtown Core Area, we analyzed the financial viability of rezoning and redevelopment of a variety of different case study sites in the four different land use designations that are the focus of this study.

We used the financial analysis to model the likely performance of rezoning and redeveloping each site under the maximum density identified in the OCP on the assumption that the developer purchases the site at its current market value under existing use and zoning (i.e., the developer does not pay the rezoned value of the site).

The analysis allows us to determine whether rezoning and redevelopment of each case study is financially viable and, if so, whether the rezoning supports a CAC.

Based on the analysis, sites can be divided into two categories:

1. Sites that are not financially viable for rezoning (at the OCP maximum density) and redevelopment. These sites cannot provide a CAC. However, they would not be viable development candidates even if the CAC was zero.
2. Sites that are financially viable for rezoning and redevelopment. For each of these sites we calculated the supportable CAC per square foot[9] of additional floorspace beyond the achievable floorspace under the base density in the OCP. For these sites, the ability to sustain a CAC varies widely, depending on the existing use, existing built density, quality of existing improvements, location, and OCP designation.

Our analysis was completed in four main steps:

1. We identified case study sites for the financial analysis. Sites were either vacant or improved with older, low quality improvements, similar to the types of properties that have been the focus of development outside of Downtown Victoria. We analyzed 26 different case study sites (or assemblies of sites). The sites were selected to represent a cross-section of the different locations, zoning districts and existing uses outside of the Downtown Core Area. Sites were selected from each of the four different OCP land use designations that are the focus of this study.
2. We estimated the existing value of each case study in the absence of any bonus density. For this estimate, we considered three different values:
   - Value supported by existing use (income stream or house value). This included and assembly cost allowance for case study sites that were improved with existing houses.
   - The land value under existing zoning.
   - The land value under base OCP density.

   The highest of these three indicators used for analysis
3. We estimated the land value supported if the site was rezoned to the maximum identified in the OCP, with the bonus density but without any amenity contribution. If the estimated supportable land value with

[9] For each site, the CAC was calculated assuming that 75% of any increased property value (beyond the value supported by the higher of the base OCP density, existing use or existing zoning) was allocated to an amenity contribution.

the bonus density is higher than site's existing value, then site is viable for redevelopment. Otherwise, it is not yet financially viable for rezoning and redevelopment.

4. For the financially viable case study sites, we estimated:
    - The increase in property value due to the bonus density (estimated value in step 3 less estimated value in step 2.
    - The potential CAC amount at 75% of the increased value (the current City practice).
    - The equivalent fixed rate CAC in terms of dollars per square foot of floorspace over the base OCP density

This section identifies the key findings from our analysis.

The detailed financial analysis for each site is contained in the Attachments.

5.1 Urban Residential

The Urban Residential designation has a base density 1.2 FSR with the opportunity for increased density up to a maximum of approximately 2.0 FSR. About 76% of the properties in the four designations that are the focus of this study[10] are in the Urban Residential designation.

We analyzed sixteen different case study sites (or assemblies) that are designated Urban Residential. Our findings can be summarized as follows:

1. Six of the sixteen sites we analyzed are currently financially attractive for rezoning and redevelopment at the maximum permitted density of 2.0 FSR. The remainder are more valuable under existing use and zoning than as redevelopment properties.
2. There is no CAC opportunity at sites that are not yet financially attractive for rezoning and redevelopment.
3. The sites that are financially viable for rezoning and redevelopment tend to be larger lots, vacant, or improved with lower density, older buildings.
4. The sites that are financially viable for rezoning and redevelopment are geographically dispersed.
5. The estimated maximum supportable CAC at most of the sites that are financially viable for redevelopment ranges from $3 to $14 psf of additional floorspace over the base 1.2 FSR permitted in the OCP sites.
6. For some unique sites (vacant or industrial) the estimated potential CAC is up to $36 psf over the base 1.2 FSR permitted in the OCP.

5.2 Small Urban Village

The Small Urban Village designation has a base density 1.5 FSR with the opportunity for increased density up to a maximum of approximately 2.0 FSR. About 5% of the properties in the four designations that are the focus of this study are in the Small Urban Village designation.

[10] This excludes sites that are already improved with strata residential projects as these properties are not likely to be redevelopment candidates for the foreseeable future.

We analyzed one property that is designated Small Urban Village. However, we also supplemented this with our analysis of the Large Urban Village sites (assuming these sites were rezoned to 2.0 FSR as permitted in the Small Urban Village designation. Our findings can be summarized as follows:

1. There is no opportunity for the rezoning and redevelopment of sites designated Small Urban Village at the maximum permitted density of 2.0 FSR.
2. A higher permitted density is required in order to make sites in this designation attractive for rezoning and redevelopment.
3. There is no opportunity for a CAC at these sites under current market conditions and the current maximum permitted density.

5.3 Large Urban Village

The Large Urban Village designation has a base density 1.5 FSR with the opportunity for increased density up to a maximum of approximately 2.5 FSR. About 17% of the properties in the four designations that are the focus of this study are in the Large Urban Village designation.

We analyzed six different case study sites (or assemblies) that are designated Large Urban Village. Our findings can be summarized as follows:

1. Three of the six Large Urban Village properties that we analyzed are viable for rezoning and redevelopment at the maximum permitted density of 2.5 FSR.
2. There is no CAC opportunity at the sites that are not yet financially viable for rezoning and redevelopment.
3. The financially viable sites that we analyzed are concentrated in higher value southern portions of the City (such as Fairfield, James Bay, and the Pandora corridor).
4. The estimated supportable CAC at two of the three sites that are financially viable for redevelopment, is $5 psf of additional floorspace over the base 1.5 FSR.
5. The third site supports a much higher CAC of $49 psf of additional floorspace over the base 1.5 FSR. However, this site represents a unique situation (an older low density commercial building in the high value Cook Street Village area).

5.4 Town Centre

The Town Centre designation has a base density 2.0 FSR with the opportunity for increased density up to a maximum of approximately 3.0 FSR. About 2% of the properties in the four designations that are the focus of this study are in the Town Centre designation. Most of the land in this designation consists of the property at the two major shopping centres outside of the Downtown Core Area, the Hillside Centre and Mayfair Shopping Centre.

We analyzed three different case study sites (or assemblies) that are designated Town Centre. Our findings can be summarized as follows:

1. The Town Centre properties that we analyzed are not currently viable for rezoning and redevelopment at the maximum permitted density of 3.0 FSR in concrete (or at the likely maximum achievable woodframe density of about 2.5 FSR).

2. Redevelopment in these locations is likely a longer term prospect.
3. Redevelopment in these locations will require a higher achievable concrete apartment unit sales prices or higher permitted density.
4. At the large shopping centre sites, the potential CAC would be influenced by requirements for on-site dedications, infrastructure costs and the mix of uses, which will not be known in advance of a development application so it is not possible to estimate the potential supportable CAC at these sites in advance.

5.5 Other Findings

As part of our analysis, we tested the implications of including office space or rental apartment units as part of the redevelopment. Our findings can be summarized as follows:

1. There is no opportunity for a CAC from office projects in the Small Urban Village, Large Urban Village and Town Centre locations.
2. Any requirement to include or replace rental units at new projects has a large impact on the potential CAC from residential or mixed use rezonings.

5.6 Key Implications

The key implications from our financial analysis are as follows:

1. The overall study area has a limited number of sites that are financially attractive for redevelopment at the maximum permitted OCP density. The sites that are attractive for redevelopment are focused in the Urban Residential and Large Urban Village designations.
2. Other than vacant sites, no sites that we analyzed are attractive for rezoning and redevelopment at the base OCP densities. Therefore, part of the value of the bonus density that is available needs to be retained by the developer (and is not available for an amenity contribution) in order to make redevelopment financially attractive.
3. Most sites that are financially viable for rezoning and redevelopment can support a CAC in the range of $5 to $14 psf of floorspace over the base FSR identified in the OCP. This is significantly lower than the market land value created by the additional bonus floorspace (typically $30 to $60 per square foot of buildable floorspace depending on the site's location) because part of the additional value that is created by the bonus needs to be retained by the developer to make rezoning and redevelopment financially attractive.
4. A higher CAC will reduce the number of sites that are financially viable for redevelopment under current market conditions.
5. Some unusual rezonings (e.g. industrial to residential) may support a very high CAC, depending on the proposed uses and density.
6. The supportable CAC for large sites cannot be evaluated in advance of a detailed concept plan because the potential CAC would be heavily influenced by requirements for on-site dedications, infrastructure costs and the mix of uses, which will not be known in advance.

7. Office projects do not support a CAC[11].

8. Including rental units within a rezoning has a significant impact on the opportunity for a CAC.

Overall, our findings indicate that if the City wants to use a fixed-rate CAC approach to cover all rezoning candidates, the rate will need to be relatively low to be affordable by a large number of projects. For most projects, a high rate will make rezoning and redevelopment financially unattractive.

[11] Our financial analysis indicates that office projects cannot support an amenity contribution. There are also other reasons why the City may not want to seek an amenity contribution from office rezonings:

- Office development increases the commercial tax base (which generates more property tax revenue to the City than residential development).
- Office development accommodates employment within the City which helps meet the City's employment objectives.
- Office workers create less need for new community amenities than residents.

6.0 Policy Alternatives to Consider

To identify and evaluate CAC policy options to consider, we divided rezonings into two different categories. These two different types of rezonings could be considered for different CAC approaches:

1. Major rezonings, where the rezoning involves a large site (such as the major Town Centre designated shopping centre properties), or involves change from industrial or institutional to residential or mixed-use, or requires significant new on-site infrastructure and services, or exceeds the maximum density identified in the OCP.
2. Smaller, typical rezonings, where the rezoning involves a small site and the rezoning is from residential or commercial to apartment or mixed-use residential and commercial.

6.1 Identification of Policy Alternatives

It is not possible to determine the potential CAC from major rezonings in advance of a detailed development application that outlines the mix of uses, heights, density and on-site servicing and infrastructure requirements. Therefore, these are not good candidates for a fixed-rate target CAC. However, we do not think that the City should exempt the major rezonings from CACs as these site could create significant opportunities to incorporate on-site amenities over the long term. Therefore, CACs should continue to be negotiated for these major rezonings.

For the smaller rezonings, there are three different CAC options that could be considered:

1. Exempt the rezoning from CACs.
2. Continue to negotiate a CAC on a site-by-site basis.
3. Apply a fixed rate target CAC to the rezoning.

These three options are evaluated in the following section.

Under any policy option, the following additional provisions should be included:

1. Rezonings that include upper floor office space should be exempt from CACs.
2. Sites in the Small Urban Village designation should be exempt from CACs (unless achievable density is increased beyond 2.0 FSR).
3. CACs for any rezonings that are required to include rental housing should be exempted as the rental housing component will impact the ability of the project to provide any CAC. The extent of the impact will depend on the details associated with the rental housing component (i.e., number, size, parking, rent rates).

6.2 Evaluation of Alternatives

A summary of the advantages and disadvantages of each of the three policy options for the smaller rezonings is outlined below.

1. Exempt small rezonings from CACs.

Advantages include:

- Exempting rezonings from CACs will maximize the number of sites that will be attractive for rezoning and redevelopment.
- This approach would be supported by the development industry and property owners.

Disadvantages include:

- No CAC revenue will be generated even though some rezonings could have supported an amenity contribution.
- Rezonings will not help off-set any financial impacts of densification on the City and community.
- Exempting rezonings from CACs could create community opposition to some rezonings.

2. Continue to negotiate CACs on a site-by-site basis for smaller rezonings.

Advantages include:

- Individual negotiations ensure that the CAC does not exceed the amount that can be supported by each rezoning.
- Contributions from rezonings will help off-set any financial impacts of densification on the City and community.
- CACs from rezonings will likely be supported by the community.

Disadvantages include:

- This approach is not likely to be supported by the development industry and property owners.
- The cost and timing of negotiations is an impediment to rezoning and redevelopment.
- Based on our analysis, a negotiated approach will likely result in little or no CAC at many rezonings.
- The negotiated approach creates uncertainty for developers, land owners, the City, and the community.
- The negotiated approach is not consistent with the new Provincial guide for CACs.
- Under this approach overall CAC revenue will likely be modest, but administration of the system could be expensive.

3. Apply a fixed rate CAC target to small rezonings.

Advantages include:

- The fixed rate approach creates certainty for developers, land owners, the City and the community.
- If the fixed rate target is low, it will not affect the financial viability of many (if any) redevelopment sites so it should not slow the pace of redevelopment. For sites that are currently attractive for redevelopment, a low CAC will be affordable (say $5 per square foot of additional floorspace over the base FSR in the OCP). Sites that are not currently viable for redevelopment will continue to be unattractive for rezoning and redevelopment (with or without a CAC).
- Contributions from rezonings will help off-set any financial impacts of densification on the City and community.
- Even though total revenue will be modest with a low target fixed rate CAC, initiating a system with a low fixed rate CAC target will provide the opportunity to refine and improve the system over time, particularly if market conditions and land values change. In addition, CAC revenue can be used to supplement funds available from other sources to help deliver community amenities sooner.
- CACs from rezonings will likely be supported by the community.

Disadvantages include:

- If the CAC rate is set too high, it will reduce the number of sites that are financially attractive for rezoning and redevelopment which will make it difficult for the City to meet its growth objectives outside of the Downtown Core Area. Under this approach the fixed rate target will need to be set toward the lower end of the estimated potential CAC range indicated in our financial analysis to ensure there is a supply of sites that are financially viable for redevelopment.
- Some rezonings would have been able to support a CAC that is higher than the fixed rate.
- The total annual CAC revenue generated will likely be modest. For illustrative purposes, if 100 apartment units per year are built outside of the Core Area each year (about 25% of the City's typical annual apartment market), a $5 psf fixed rate CAC would generate a maximum of about $200,000 per year if all projects rezoned up to the OCP maximum[12]. At densities less than the OCP maximum, CAC revenue would be lower.

[12] 100 units per year at 1,000 square feet per unit results in 100,000 square feet of new floorspace per year. Assuming 40% of the new space is due to the bonus (i.e., from 1.2 FSR to 2.0 FSR) and 100% of the projects achieve the maximum FSR, then the CAC revenue would be 100,000 square feet x 40% x $5 per square foot = $200,000 per year.

7.0 Recommendations

Based on our analysis and on input from City staff, our recommended approach is to continue to negotiate major rezonings on a site-by-site basis and apply a fixed rate CAC target to smaller site rezonings.

7.1 Major Rezonings

It is not possible to determine the potential CAC from major rezonings in advance of a detailed development application that outlines the mix of uses, heights, density and on-site servicing and infrastructure requirements. Therefore, these are not good candidates for a fixed-rate target CAC.

CACs should continue to be negotiated for these major rezonings. This should include:

1. Rezonings of large sites (e.g., over one City block) that will require the dedication of part of the site for new roads and services.
2. Rezonings involving sites that have been identified as a location for a large on-site amenity or public facility as part of the rezoning process (e.g., park space, community centre).
3. Sites that are being rezoned from industrial or institutional uses to residential or mixed-use.
4. Rezonings that exceed the density identified in the OCP.

The total value of a negotiated CAC should take into account the estimated cost of creating the amenities that the City wants in the neighbourhood, but the CAC should not exceed 75% of the increase in property value created by the rezoning over the higher of (a) the value under existing use and zoning or (b) the land value under the base density permitted in the OCP. Otherwise, the rezoning will not be financially viable for developers.

7.2 Smaller Rezonings

A fixed rate CAC target should apply where the rezoning involves a small site and the rezoning is from residential or commercial to apartment or mixed-use residential and commercial. We recommend that:

1. The fixed rate be set at $5 per square foot of additional floorspace[13] that is permitted over the greater of the OCP base FSR or existing zoning FSR (the existing zoning for some sites allows greater density than the base OCP density).
2. Projects that include at least one floor of upper floor office space should be exempt from CACs.
3. Projects where the City requires new rental apartment units or the replacement of existing rental apartment units (either on-site or at an alternate site) should be exempt from CACs.
4. Rezonings of sites in the Small Urban Village designation should be exempt from CACs (unless the density exceeds the 2.0 FSR identified in the OCP).

[13] The $5 per square foot CAC on the additional permitted floorspace is equivalent to a maximum of about $1 to $2 per square foot of overall gross project floorspace depending on the OCP designation and the existing zoning.

There may be rezoning applications where the developer determines that the fixed rate CAC target is inappropriate and in those cases, the developer should have the option of requesting a negotiated CAC (at the applicant's expense). Where the CACs are negotiated outside the above formula, the total value the negotiated CAC should take into account the estimated cost of creating the amenities that the City wants in the neighbourhood, but the CAC should not exceed 75% of the increase in property value created by the rezoning over the higher of (a) the value under existing use and zoning or (b) the land value under the base density permitted in the OCP. Otherwise, the rezoning will not be financially viable for developers.

7.3 Implementation

If the City implements a fixed rate target CAC for sites outside the Downtown Core Area, we have the following suggestions to consider as part of the implementation:

1. The City should ensure that all stakeholders (community/neighbourhood associations, property owners, real estate industry professionals, developers, etc.) are aware of the CAC policy and how it relates to the OCP and planned amenities in the City.
2. The City should identify neighbourhood-specific amenities to fund with amenity contributions. CAC funds should be clearly earmarked to specific public amenities within the neighbourhood in which the development takes place. Pooling funds into a City-wide fund does not allow the neighbourhood receiving new development to gain from the amenity contribution. The Local Area Planning process should identify and the specific amenities needed within each neighbourhood.
3. In order to achieve the density identified in the OCP, some projects may need to include an additional level of underground parking. The cost of an additional level of underground parking can impact the financial viability of a rezoning. The City should examine the opportunity to reduce off-street parking requirements. If parking requirements can be reduced, it will improve the economics of rezoning and redevelopment for some projects.

7.4 Monitoring

The City should monitor the CAC program:

1. Target fixed rates should be adjusted annually based on a publicly available indicator of construction cost inflation in the Victoria market, such as the Statistics Canada non-residential construction cost index.
2. Periodically (say every three years), the fixed rates should be reviewed to account for changes in the market value of developments sites and the market value of bonus density.
3. Any increase in City fees and levies could affect the ability of rezonings to make an amenity contribution. Therefore, if the City increases fees and levies, it should consider the impact on CACs.
4. The costs of the administering the CAC program should be monitored and compared with the revenue generated from the program to ensure it is cost effective.

8.0 Other Issues

Our case study financial analysis illustrates that, outside of the Downtown Core Area, few sites in Victoria are financially attractive for rezoning and redevelopment under the densities identified in the OCP. Our understanding is that the City is starting a process to complete more detailed local area plans for different neighbourhoods outside the Downtown Core Area.

As part of each local area planning process, we recommend that the City consider the financial viability of redevelopment and (if appropriate) revisit the OCP densities to help increase the number of sites that are financially viable for redevelopment. This could increase opportunities to obtain amenity contributions from rezonings that will help address the impacts of growth and provide benefits to the neighbourhoods that are absorbing the development.

9.0 Attachments - Financial Analysis

9.1 Approach

To estimate the CAC that is likely supportable for rezonings outside the Downtown Core Area, we analyzed the financial viability of rezoning and redevelopment of a variety of different case study sites in the four different land use designations that are the focus of this study.

We used the financial analysis to model the likely performance of rezoning and redeveloping each site under the maximum density identified in the OCP on the assumption that the developer purchases the site at its current market value under existing use and zoning (i.e., the developer does not pay the rezoned value of the site).

The analysis allows us to determine whether rezoning and redevelopment of each case study is financially viable and, if so, whether the rezoning supports a CAC.

Based on the analysis, sites can be divided into two categories:

1. Sites that are not financially viable for rezoning (at the OCP maximum density) and redevelopment. These sites cannot provide a CAC. However, they would not be viable development candidates even if the CAC was zero.
2. Sites that are financially viable for rezoning and redevelopment. For each of these sites we calculated the supportable CAC per square foot[14] of additional floorspace beyond the achievable floorspace under the base density in the OCP. For these sites, the ability to sustain a CAC varies widely, depending on the existing use, existing built density, quality of existing improvements, location, and OCP designation.

Our analysis was completed in four main steps:

1. We identified case study sites for the financial analysis. Sites were either vacant or improved with older, low quality improvements, similar to the types of properties that have been the focus of development outside of Downtown Victoria. We analyzed 26 different case study sites (or assemblies of sites). The sites were selected to represent a cross-section of the different locations, zoning districts and existing uses outside of the Downtown Core Area. Sites were selected from each of the four different OCP land use designations that are the focus of this study.
2. We estimated the existing value of each case study in the absence of any bonus density. For this estimate, we considered three different values:

    - Value supported by existing use (income stream or house value). This included and assembly cost allowance for case study sites that were improved with existing houses.
    - The land value under existing zoning.
    - The land value under base OCP density.

    The highest of these three indicators used for analysis

[14] For each site, the CAC was calculated assuming that 75% of any increased property value (beyond the value supported by the higher of the base OCP density, existing use or existing zoning) was allocated to an amenity contribution.

3. We estimated the land value supported if the site was rezoned to the maximum identified in the OCP, with the bonus density but without any amenity contribution. If the estimated supportable land value with the bonus density is higher than site's existing value, then site is viable for redevelopment. Otherwise, it is not yet financially viable for rezoning and redevelopment.
4. For the financially viable case study sites, we estimated:
    - The increase in property value due to the bonus density (estimated value in step 3 less estimated value in step 2.
    - The potential CAC amount at 75% of the increased value (the current City practice).
    - The equivalent fixed rate CAC in terms of dollars per square foot of floorspace over the base OCP density

9.2 Case Study Site Descriptions

We analyzed 26 different case study sites (or assemblies). A description of each case study site is provided in the following exhibit.

Exhibit 4: Description of Case Study Sites Analyzed

Case Study Site Number	Existing Zoning	FSR Permitted Under Existing Zoning	OCP Designation	Neighbourhood	Existing Use	Total Assembled Site Size (sf)	Number of Existing Rental Units	Existing Commercial Floorspace (Sq. Ft.)
1	C-1	1.4	Town Centre	Oaklands Neighbourhood	Retail building	29,696	0	18,675
2	C1-S	1.4	Large Urban Village	James Bay Neighbourhood	Retail building	12,947	0	10,807
3	C1-N	1.4	Town Centre	Burnside Neighbourhood	Retail pad	29,503	0	6,146
4	C1-QV	1.4	Large Urban Village	Hillside-Quadra Neighbourhood	1-storey retail building	13,400	0	5,038
5	CR-3M	1.0	Large Urban Village	Fairfield Neighbourhood (Cook Street Village)	1-storey retail building	34,872	0	17,438
6	CR-3	1.0	Small Urban Village	Jubilee Neighbourhood - adjacent to Gonzales	1-storey retail building	13,334	0	5,608
7	CR-4	1.6	Large Urban Village	Fernwood Neighbourhood (adjacent to North Park)	1-storey retail building	8,891	0	3,466
8	M-2	3.0	Urban Residential	North Park Neighbourhood	2 storey warehouse bldg	24,120	0	22,238
9	R1-B	N/A	Urban Residential	Oaklands Neighbourhood	3 SF Homes	16,862	0	0
10	R1-B	N/A	Urban Residential	Fairfield (near Cook Street Village)	2 Single-family Homes	12,120	0	0
11	R1-B	N/A	Urban Residential	Burnside Neighbourhood	2 Single-Family Homes + vacant lot	22,800	0	0
12	R-2	0.5 to 1.0	Urban Residential	Hillside-Quadra Neighbourhood	1-storey retail building	9,842	0	4,200
13	R-J	N/A	Urban Residential	Fairfield	Vacant Site	16,379	0	0
14	R3-1	1.2 to 1.6	Urban Residential	Fernwood Neighbourhood (just east of Harris Green)	3 Single-family Homes and surface parking lot	16,690	0	0
15	R3-1	1.2 to 1.6	Urban Residential	North Park Neighbourhood	1 Rental Apartment Building	11,855	12	0
16	R3-2	1.2 to 1.6	Urban Residential	Hillside Quadra Neighbourhood	1 Rental Apartment Building	9,388	6	0
17	R3-2	1.2 to 1.6	Large Urban Village	Jubilee Neighbourhood	1 Rental Apartment Building	28,800	42	0
18	R3-2	1.2 to 1.6	Urban Residential	James Bay Neighbourhood	2 Single-family homes	9,636	0	0
19	R3-2	1.2 to 1.6	Urban Residential	Burnside Neighbourhood	4 Single-family homes	29,314	0	0
20	R3-2	1.2 to 1.6	Urban Residential	Vic West Neighbourhood	1 Rental Apartment Building	34,408	54	0
21	R3-A1	1.0 to 1.2	Urban Residential	Fairfield Neighbourhood	2 Single-family Homes	12,540	0	0
22	R3-A1	1.0 to 1.2	Urban Residential	Fairfield Neighbourhood	1 Rental Apartment Building	12,476	14	0
23	R3-A2	1.0 to 1.2	Urban Residential	Jubilee Neighbourhood (adjacent to Rockland)	Vacant Site	11,742	0	0
24	R3-A2	1.0 to 1.2	Large Urban Village	Fairfield Neighbourhood	2 Rental Apartment Buildings	19,050	24	0
25	T-1	1.2	Town Centre	Burnside Neighbourhood	Motel	36,720	62 motel rooms	0
26	T-1	1.2	Urban Residential	Burnside Neighbourhood	Motel	47,480	55 motel rooms	0

9.3 Key Assumptions for Financial Analysis

9.3.1 Assumptions for Rezoning Scenarios

The detailed assumptions for all of our analysis are included in each of the proformas contained in the attachments. Some assumptions vary on a property by property basis (to reflect building form, and specific neighbourhood market conditions).

The major assumptions for our strata titled development financial analysis are as follows:

1. Average sales price assumptions vary by location and form of construction:
    - Woodframe strata apartment projects are assumed to achieve average sales prices ranging from $360 per square foot to $490 per square foot depending on the location. Some new projects currently marketing in Victoria are achieving higher average prices, but these projects are located in unique, high amenity locations (such as adjacent to Beacon Hill Park).
    - Concrete strata apartment projects (at the Town Centre sites) are assumed to achieve average sales prices ranging from $515 to $525 per square foot depending on location.
2. Average lease rates for new retail space in Urban Village and Town Centre locations are assumed to be $25 per square foot net, except for sites in Cook Street Village where lease rates are assumed to average $35 per square foot net. Net operating income from retail space is capitalized at 6.5% to estimate total market value.
3. Residential commissions are assumed to be 3% of sales revenue.
4. Marketing is assumed to total 2% of sales revenue.
5. Leasing commissions on the commercial space are set at 17% of Year 1 lease income.
6. Rezoning costs (application fees, architects, consultants, management, disbursements) are assumed to total $100,000. This assumes that rezoning is consistent with the OCP plan so costs are minimized, otherwise the cost would likely be higher.
7. Construction cost assumptions are as follows:
    - Hard construction costs (excluding parking) for woodframe apartment buildings are assumed to range from about $120 per square foot to $150 per square foot depending on location and quality of finishings.
    - Hard costs for concrete apartment buildings (excluding parking) are $195 per square foot.
    - Costs for grade level commercial space in mixed-use buildings is assumed to be $175 per square foot.
    - Parking costs are assumed to average $35,000 per stall (assuming one level of underground parking) to $40,000 per stall (assuming two levels of underground parking) and $7,500 per surface parking stall.

    In total, hard costs including parking range from about $165 to $195 per square foot for woodframe buildings (depending on quality and location), $185 to $205 per square foot for mixed use lowrise buildings and $245 for concrete buildings.

    The construction costs are based on information published by BDC Development Consultants, Altus Group, BTY Group and on discussions we had with developers who are active in the Victoria multifamily residential market.
8. As separate landscaping cost allowance of $10 per square foot of site area is included.

9. Demolition costs are estimated separately for each site depending on the existing improvements.
10. An allowance of $2,500 per lineal metre of site frontage is included for upgrades to the adjacent sidewalks, boulevard, street trees, lighting, and road to centre line.
11. Connection fees are assumed to total about $50,000 per site.
12. Soft costs and professional fees (permits, engineering, design, legal, survey, appraisal, accounting, new home warranties, insurance, deficiencies and other professional fees) and development management total 12% of hard costs. This excludes the soft costs and professional fees associated with the rezoning process.
13. Post construction costs are included for six months following project completion.
14. A contingency allowance of 5% of hard and soft costs is included.
15. Interim financing is charged on all costs (including land) at 6% per year. In addition, a financing fee equivalent to 1% of total projects costs is included.
16. Residential and commercial DCCs are included at current rates.
17. Property taxes are based on 2014 mill rates and our own estimate of the assessed value during development.
18. Developer's profit margin is set at 15%, which is the typical minimum profit margin target for new multifamily development in Victoria.

9.3.2 Property Assembly Assumptions

For some types of properties, it is possible that developers who are assembling sites could have to pay a premium over the market value of the property under its existing use and zoning. For example, in a single family area designated for higher densities, some home owners will be interested in selling their property at the same time that a developer is interested in purchasing, but adjacent owners may not be interested in selling and may require a premium over market value to be enticed to sell. If the required premium is too high, then it is reasonable to assume that assembly is premature and the site is not yet a redevelopment site. However, for some properties some reasonable premium should be factored in.

To determine a realistic assumption about potential assembly costs, we divided properties in the study area into two different categories:

1. Income-producing commercial properties which are owned by investors. The market value of an income-producing property is based on the capitalized value of its income stream or on its land value under existing zoning, whichever is higher. When a property's land value exceeds its value as an income producing property, it is a redevelopment candidate.

   Some of the investment properties in the study area are smaller, so assembly (likely a maximum of one extra lot) may be required to achieve the densities that are envisioned in the case study analysis. We assume these properties are acquired and assembled by developers when the current owner/investor is interested in selling. Any developer interested in assembling adjacent properties could acquire an initial property and then hold it as an income producing property until the adjacent owner is interested in selling. Because there is an income stream, the developer is earning a return on investment and can be patient while waiting for a small adjacent property to come available. Therefore, our analysis assumes that developers of income producing properties do not pay a significant premium to assemble these sites.

2. Single family homes. In most cases a minimum of two or three lots will be required to create an attractive development site so assembly will be required. Our analysis assumes that developers will need to pay a

premium to some owners to entice them to sell their home, allowing the developer to complete an assembly.

For home owners that are not planning on selling, moving will involve out-of-pocket costs, time, and risks that they would not otherwise have incurred. To entice these owners to sell, we assume that the developer would need to pay a premium to the seller to cover the costs of purchasing a replacement house (of similar quality in a similar priced neighbourhood).

To estimate a reasonable assembly cost allowance, we assume an average cost of about $650,000 per home (a typical value for an older home in a higher value neighbourhood that could be a redevelopment candidate). We assume the premium would need to cover the following out of pocket expenses:

- Property transfer tax on the replacement house for the seller. Assuming a $650,000 ion replacement house, this would be about $13,000.
- Any realty commissions incurred by the seller as part of the transaction (alternatively, the developer could cover these costs which has the same impact on the developer's acquisition costs). A full realty commission would be roughly $21,000 (assuming a value of $650,000) if the house is listed on the MLS. However, we assume a reduced realty fee of $10,000 as the house would not need to be listed on the MLS and may only involve one agent (representing the seller in the transaction).
- Any legal fees incurred by the seller. We assume legal costs would be about $2,000.
- Moving costs for the seller. We assume a maximum of about $5,000.
- A budget for the seller to redecorate and make repairs at the new replacement house to make it comparable to the existing house. We allow about $25,000 to ensure that the seller has an appropriate budget to make any repairs at the replacement house and redecorate (additional funds would be needed for any renovations).

These items total about $55,000 or about 8% of the assumed value of the home. This suggests a premium of roughly 8% is ample to cover out of pocket expenses. This expense premium could be lower if the new home does not require repairs or if the commission or the sale of the existing home can be reduced.

In addition to recovering these costs, a home owner who was not planning on selling would likely require a financial incentive to be interested in selling and moving. The magnitude of the incentive required would likely vary from owner to owner.

Allowing an additional $75,000 (equivalent to about 12% for a $650,000 existing home) would likely be ample incentive for many home owners to sell to a developer (particularly given that no capital gains tax would be paid if the owner lived in the house). The seller could use this to acquire a better property (i.e., larger, newer, high priced location) or for other purposes.

The total estimated assembly premium (to cover costs and provide an incentive) is roughly 20% of existing market value. This suggests it is reasonable to assume that a developer would need to pay a premium of about 20% of market value to assemble existing single family homes in the area. The assembly premium could be even higher if a specific lot needs to be purchased by the developer to proceed with a project. However, it could also be lower if the developer can acquire the initial lot in the assembly at market value (on the basis that the initial lot owner is interested in selling).

Therefore, for this analysis, we assume that:

1. A developer building a mixed use project at existing commercial properties would not need to pay a premium for lot assembly.

2. A developer assembling a series of single family lots would need to pay an average of a 20% premium to the existing home owners to cover the costs of purchasing a replacement house (of similar quality in a similar priced neighbourhood) and provide additional funds as an incentive to sell (to upgrade the replacement house or for alternative purposes).

   It should be noted that assembly costs would likely vary significantly from property to property, depending on the current property owner's interest in selling and relocating, and on the alternatives that the developer has to acquire a different site. Our analysis examines a scenario that we think is reasonable. If home owners are not willing to sell at a 20% premium over market value, then it could be argued that the site is not yet a candidate for assembly and redevelopment.

9.4 Summary of Results

The following exhibits summarize the results of our analysis for each case study site. The exhibits divide the sites into four different categories based on the OCP designation.

Exhibit 5: Urban Residential Sites (OCP Density = 2.0 FSR)

Case Study Site	Zoning	FSR Permitted Under Existing Zoning	Neighbourhood	Existing Land-Use / Improvements	Total Assembled Site Size (sf)	Estimated Rezoned Value at Maximum OCP Density (2.0 FSR)	Estimated Existing Value*	Financially Attractive for Redevelopment (with no CAC)	CAC per square foot of additional floorspace over Base OCP Density at 75% of Increased Value
16	R3-2	1.2 to 1.6	Hillside Quadra Neighbourhood	1 Rental Apartment Building	9,388	$591,034	$1,100,000	no	zero
18	R3-2	1.2 to 1.6	James Bay Neighbourhood	2 Single-family homes	9,636	$1,211,234	$1,586,640	no	zero
22	R3-A1	1.0 to 1.2	Fairfield Neighbourhood	1 Rental Apartment Building	12,476	$1,663,084	$1,960,000	no	zero
13	R-J	N/A	Fairfield	Vacant Site	16,379	$2,306,683	$2,810,400	no	zero
9	R1-B	N/A	Oaklands Neighbourhood	3 SF Homes	16,862	$996,563	$1,384,440	no	zero
14	R3-1	1.2 to 1.6	Fernwood Neighbourhood (just east of Harris Green)	3 Single-family Homes and surface parking lot	16,690	$1,554,743	$1,892,880	no	zero
20	R3-2	1.2 to 1.6	Vic West Neighbourhood	1 Rental Apartment Building	34,408	$3,857,071	$4,136,000	no	zero
12	R-2	0.5 to 1.0	Hillside-Quadra Neighbourhood	1-storey retail building	9,842	$625,455	$727,000	no	zero
15	R3-1	1.2 to 1.6	North Park Neighbourhood	1 Rental Apartment Building	11,855	$1,160,465	$1,209,000	no	zero
10	R1-B	N/A	Fairfield (near Cook Street Village)	2 Single-family Homes	12,120	$1,624,435	$1,641,600	marginal	zero
26	T-1	1.2	Burnside Neighbourhood	Motel	47,480	$2,889,356	$2,750,000	yes	$3
19	R3-2	1.2 to 1.6	Burnside Neighbourhood	4 Single-family homes	29,314	$2,110,953	$1,861,200	yes	$8
11	R1-B	N/A	Burnside Neighbourhood	2 Single-Family Homes + vacant lot	22,800	$1,273,401	$983,160	yes	$12
21	R3-A1	1.0 to 1.2	Fairfield Neighbourhood	2 Single-family Homes	12,540	$1,676,981	$1,486,920	yes	$14
8	M-2	3.0	North Park Neighbourhood	2 storey warehouse bldg	24,120	$2,653,508	$1,740,000	yes	$36
23	R3-A2	1.0 to 1.2	Jubilee Neighbourhood (adjacent to Rockland)	Vacant Site	11,742	$1,601,120	$1,150,000	yes	$36

Exhibit 6: Small Urban Village Sites (OCP Density = 2.0 FSR)

Case Study Site	Zoning	FSR Permitted Under Existing Zoning	Neighbourhood	Existing Land-Use / Improvements	Total Assembled Site Size (sf)	Estimated Rezoned Value at Maximum OCP Density (2.0 FSR)	Estimated Existing Value*	Financially Attractive for Redevelopment (with no CAC)	CAC per square foot of additional floorspace over Base OCP Density at 75% of Increased Value
6	CR-3	1.0	Jubilee Neighbourhood - adjacent to Gonzales	1-storey retail building	13,334	$1,385,969	$1,555,000	no	zero

Exhibit 7: Large Urban Village Sites (OCP Density = 2.5 FSR)

Case Study Site	Zoning	FSR Permitted Under Existing Zoning	Neighbourhood	Existing Land-Use / Improvements	Total Assembled Site Size (sf)	Estimated Rezoned Value at Maximum OCP Density (2.0 FSR)	Estimated Existing Value*	Financially Attractive for Redevelopment (with no CAC)	CAC per square foot of additional floorspace over Base OCP Density at 75% of Increased Value
17	R3-2	1.2 to 1.6	Jubilee Neighbourhood	1 Rental Apartment Building	28,800	$3,802,083	$4,745,000	no	zero
4	C1-QV	1.4	Hillside-Quadra Neighbourhood	1-storey retail building	13,400	$1,004,351	$1,368,000	no	zero
24	R3-A2	1.0 to 1.2	Fairfield Neighbourhood	Buildings	19,050	$3,432,662	$3,509,000	no	zero
7	CR-4	1.6	Fernwood Neighbourhood (adjacent to North Park)	1-storey retail building	8,891	$899,805	$839,600	yes	$5
2	C1-S	1.4	James Bay Neighbourhood	Retail building	12,947	$1,848,813	$1,757,900	yes	$5
5	CR-3M	1.0	Fairfield Neighbourhood (Cook Street Village)	1-storey retail building	34,872	$6,605,737	$4,311,300	yes	$49

Exhibit 8: Town Centre Sites (OCP Density = 3.0 FSR)

Case Study Site	Zoning	FSR Permitted Under Existing Zoning	Neighbourhood	Existing Land-Use / Improvements	Total Assembled Site Size (sf)	Estimated Rezoned Value at Maximum OCP Density (2.0 FSR)	Estimated Existing Value*	Financially Attractive for Redevelopment (with no CAC)	CAC per square foot of additional floorspace over Base OCP Density at 75% of Increased Value
1	C-1	1.4	Oaklands Neighbourhood	Retail building	29,696	$2,825,681	$4,798,000	no	zero
3	C1-N	1.4	Burnside Neighbourhood	Retail pad	29,503	$2,286,673	$3,017,000	no	zero
25	T-1	1.2	Burnside Neighbourhood	Motel	36,720	$2,960,900	$3,100,000	no	zero

9.5 Financial Analysis

This section contains the detailed financial analysis that we completed for the case study sites. We included the analysis for the nine sites that were determined to be financially attractive for rezoning and redevelopment as these sites are able to support a CAC. The sites are listed in numeric order.

We have not included the sites that are not yet financially viable for rezoning and redevelopment and do not yet support a CAC.

Site 2

Site 2 is located in the James Bay neighbourhood. It is a 12,947 square foot site improved with an older 10,000 square foot single storey commercial building. The site is zoned C1-S allowing commercial or mixed-use development at a maximum density of 1.4 FSR. It is designated Large Urban Village allowing commercial or mixed-use development at a maximum density of 2.5 FSR, with a base density of 1.5 FSR.

Existing Value

To estimate the existing value, we considered four different indicators:

1. The existing assessed value is $1,757,900.
2. Based on our estimate of the potential rent that can be generated by the existing building, we estimate that the value of the property as an income-producing investment property is about $1,700,000 (similar to the assessment).
3. Based on our land residual analysis (proforma analysis), the property has a market value of about $700,000 to $800,000 as a development site under existing zoning at 1.4 FSR, which is less than the income-producing value, indicating the site is not attractive for redevelopment under existing zoning.
4. Based on our land residual analysis (proforma analysis), the property would have a market value of about $800,000 if rezoned to the base OCP density of 1.5 FSR.

The existing value for our analysis is the highest of these indicators, or $1,757,900.

Estimated Land Value at Maximum OCP Density of 2.5 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.5 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $1,850,000.

Site 2 - Estimated Supportable Land Value at 2.5 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	12,947	sq.ft.				
	108	feet of frontage				
Total Assumed Density	2.50	FAR				
Total Gross floorspace	32,368	sq.ft.				
Commercial floorspace	4,531					
Market Strata Residential floorspace	27,836	gross square feet				
Net saleable space	23,661	sq.ft. or	85%	of gross area		
Average Gross unit size	994	sq.ft. gross				
Average Net unit size	845	sq.ft.				
Number of units	28	units or				
Total Market Strata Unit Parking Stalls (including visitors)	34	stalls or	1.2	per unit		
Total Commercial Parking Stalls	11	stalls or 1 per	37.5	square metres		
Total Parking Stalls	45	stalls				
Underground/structured parking stalls provided	45	stalls	17,100	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$490	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$25.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.50%					
Value of Retail Space on Lease Up	$365	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$30,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$82,235	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$150	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$202	per gross sq.ft.				
Hard Cost Used in Analysis	$202					
Landscaping	$64,735	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100% of land cost		
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Tax Rate (comm)	2.254%	of assessed value				
Current assessment (Year 1 of analysis)	$1,757,900					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$6,624,718	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 2 - Estimated Supportable Land Value at 2.5 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$11,593,715		
Less commissions and sales costs	$347,811		
Net residential sales revenue	$11,245,903		
Commercial Value	$1,655,722		
Commission on Commercial Sale	$33,114		
Net commercial value	$1,622,608		
Total Value Net of Commissions	$12,868,511		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$30,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$82,235		
Connection fees	$50,000		
Hard construction costs	$6,543,411		
Landscaping	$64,735		
Soft costs	$677,038		
Project Management	$150,948		
Residential Marketing	$231,874		
Commercial Marketing	$0		
Leasing commissions on commercial space	$19,259		
Post Construction Holding Costs	$14,700		
Car Share	$0		
Contingency on hard and soft costs	$398,210		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$92,707		
DCCs - commercial	$9,758		
Less property tax allowance during development	$26,449		
Construction financing	$382,110		
Financing fees/costs	$88,734		
Total Project Costs Before Land Related	$8,962,168		
Allowance for Developer's Profit	$1,727,727		
Residual to Land and Land Carry	**$2,178,617**		
Less financing on land during construction and approvals	$294,113		
Less property purchase tax	$35,690		
Residual Land Value	**$1,848,813**		
Residual Value per sq.ft. buildable	**$57.12**		
Residual Value per sq.ft. of site	**$142.80**		

Fixed Rate CAC Calculation Site 2

As shown in the following exhibit, this case study site supports an estimated CAC of about $5 per square foot of additional permitted floorspace over the base OCP density of 1.5 FSR.

CAC Analysis	
Estimated Rezoned Value	$1,848,813
Estimated Base Value	$1,757,900
Estimated Increase in Value for CAC Analysis	$90,913
CAC at 75% of Increased Value	$68,185
Floorspace at Base OCP Density	19,421
Assumed Floorspace Approved	32,368
Increase in Floorspace over Base Density	12,947
CAC per square foot of additional floorspace over base	**$5.27**

Site 5

Site 5 is located in the Fairfield neighbourhood (in Cook Street Village). It is a 34,872 square foot site improved with an older 17,000 commercial building. The site is zoned CR-3M allowing commercial or mixed-use development at a maximum density of 1.0 FSR. It is designated Large Urban Village allowing commercial or mixed-use development at a maximum density of 2.5 FSR, with a base density of 1.5 FSR.

Existing Value

To estimate the existing value, we considered four different indicators:

1. The existing assessed value is $4,311,300.
2. Based on our estimate of the potential rent that can be generated by the existing building, we estimate that the value of the property as an income-producing investment property is about $4,300,000, similar to the existing assessment.
3. Based on our land residual analysis (proforma analysis), the property has a market value of about $2.2 million as a development site under existing zoning at 1.0 FSR which is less than the value under existing use so the site is not attractive for redevelopment under existing zoning.
4. Based on our land residual analysis (proforma analysis), the property would have a market value of about $3.7 million if rezoned to the base OCP density of 1.5 FSR.

The existing value for our analysis is the highest of these indicators, or $4,311,300.

Estimated Land Value at Maximum OCP Density of 2.5 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.5 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $6,600,000.

Site 5 - Estimated Supportable Land Value at 2.5 FSR

Major Assumptions ***(shading indicates figures that are inputs; unshaded cells are formulas)***						
Site and Building Size						
Site Size	34,872	sq.ft.				
	291	feet of frontage				
Total Assumed Density	2.50	FAR				
Total Gross floorspace	87,180	sq.ft.				
Commercial floorspace	12,205					
Market Strata Residential floorspace	74,975	gross square feet				
Net saleable space	63,729	sq.ft. or	85%	of gross area		
Average Gross unit size	1,000	sq.ft. gross				
Average Net unit size	850	sq.ft.				
Number of units	75	units or				
Total Market Strata Unit Parking Stalls (including visitors)	90	stalls or	1.2	per unit		
Total Commercial Parking Stalls	30	stalls or 1 per	37.5	square metres		
Total Parking Stalls	120	stalls				
Underground/structured parking stalls provided	120	stalls	45,600	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$490	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$35.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.50%					
Value of Retail Space on Lease Up	$512	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$15,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$221,494	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$150	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$202	per gross sq.ft.				
Hard Cost Used in Analysis	$202					
Landscaping	$174,360	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100%	of land cost	
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Tax Rate (comm)	2.254%	of assessed value				
Current assessment (Year 1 of analysis)	$4,311,300					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$18,735,217	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 5 - Estimated Supportable Land Value at 2.5 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$31,227,004		
Less commissions and sales costs	$936,810		
Net residential sales revenue	$30,290,194		
Commercial Value	$6,243,429		
Commission on Commercial Sale	$124,869		
Net commercial value	$6,118,561		
Total Value Net of Commissions	$36,408,755		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$15,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$221,494		
Connection fees	$50,000		
Hard construction costs	$17,582,130		
Landscaping	$174,360		
Soft costs	$1,804,298		
Project Management	$398,946		
Residential Marketing	$624,540		
Commercial Marketing	$0		
Leasing commissions on commercial space	$72,621		
Post Construction Holding Costs	$39,375		
Car Share	$0		
Contingency on hard and soft costs	$1,054,138		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$249,701		
DCCs - commercial	$26,283		
Less property tax allowance during development	$72,716		
Construction financing	$1,011,852		
Financing fees/costs	$234,975		
Total Project Costs Before Land Related	$23,732,429		
Allowance for Developer's Profit	$4,886,145		
Residual to Land and Land Carry	**$7,790,182**		
Less financing on land during construction and approvals	$1,051,675		
Less property purchase tax	$132,770		
Residual Land Value	**$6,605,737**		
Residual Value per sq.ft. buildable	**$75.77**		
Residual Value per sq.ft. of site	**$189.43**		

Fixed Rate CAC Calculation Site 5

As shown in the following exhibit, this case study site supports an estimated CAC of about $49 per square foot of additional permitted floorspace over the base OCP density of 1.5 FSR.

CAC Analysis	
Estimated Rezoned Value	$6,605,737
Estimated Base Value	$4,311,300
Estimated Increase in Value for CAC Analysis	$2,294,437
CAC at 75% of Increased Value	$1,720,828
Floorspace at Base OCP Density	52,308
Assumed Floorspace Approved	87,180
Increase in Floorspace over Base Density	34,872
CAC per square foot of additional floorspace over base	**$49.35**

Site 7

Site 7 is located in the Fernwood neighbourhood. It is an 8,891 square foot site improved with an older 3,000 square foot single storey retail building. The site is zoned CR-4 allowing commercial or mixed-use development at a maximum density of 1.6 FSR. It is designated Large Urban Village allowing commercial or mixed-use development at a maximum density of 2.5 FSR, with a base density of 1.5 FSR.

Existing Value

To estimate the existing value, we considered four different indicators:

1. The existing assessed value is $839,600.
2. Based on our estimate of the potential rent that can be generated by the existing building, we estimate that the value of the property as an income-producing investment property is $836,000, similar to the existing assessment.
3. Based on our land residual analysis (proforma analysis), the property has a market value of about $500,000 as a development site under existing zoning at 1.6 FSR, which is less than the value under existing use so this site is not attractive for redevelopment under existing zoning.
4. Based on our land residual analysis (proforma analysis), the property would have a market value of about $300,000 if rezoned to the base OCP density of 1.5 FSR.

The existing value for our analysis is the highest of these indicators, or $839,600.

Estimated Land Value at Maximum OCP Density of 2.5 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.5 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $900,000.

Site 7 - Estimated Supportable Land Value at 2.5 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	8,891	sq.ft.				
	74	feet of frontage				
Total Assumed Density	2.50	FAR				
Total Gross floorspace	22,228	sq.ft.				
Commercial floorspace	3,112					
Market Strata Residential floorspace	19,116	gross square feet				
Net saleable space	16,248	sq.ft. or	85%	of gross area		
Average Gross unit size	1,006	sq.ft. gross				
Average Net unit size	855	sq.ft.				
Number of units	19	units or				
Total Market Strata Unit Parking Stalls (including visitors)	23	stalls or	1.2	per unit		
Total Commercial Parking Stalls	8	stalls or 1 per	37.5	square metres		
Total Parking Stalls	31	stalls				
Underground/structured parking stalls provided	31	stalls	11,780	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$425	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$25.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.50%					
Value of Retail Space on Lease Up	$365	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$15,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$56,472	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$130	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$185	per gross sq.ft.				
Hard Cost Used in Analysis	$185					
Landscaping	$44,455	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100%	of land cost	
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Tax Rate (comm)	2.254%	of assessed value				
Current assessment (Year 1 of analysis)	$839,600					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$4,021,275	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 7 - Estimated Supportable Land Value at 2.5 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$6,905,529		
Less commissions and sales costs	$207,166		
Net residential sales revenue	$6,698,363		
Commercial Value	$1,137,022		
Commission on Commercial Sale	$22,740		
Net commercial value	$1,114,282		
Total Value Net of Commissions	$7,812,644		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$15,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$56,472		
Connection fees	$50,000		
Hard construction costs	$4,114,608		
Landscaping	$44,455		
Soft costs	$428,054		
Project Management	$96,172		
Residential Marketing	$138,111		
Commercial Marketing	$0		
Leasing commissions on commercial space	$13,225		
Post Construction Holding Costs	$9,975		
Car Share	$0		
Contingency on hard and soft costs	$253,304		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$63,664		
DCCs - commercial	$6,701		
Less property tax allowance during development	$15,337		
Construction financing	$243,228		
Financing fees/costs	$56,483		
Total Project Costs Before Land Related	$5,704,789		
Allowance for Developer's Profit	$1,048,749		
Residual to Land and Land Carry	**$1,059,107**		
Less financing on land during construction and approvals	$142,979		
Less property purchase tax	$16,323		
Residual Land Value	**$899,805**		
Residual Value per sq.ft. buildable	**$40.48**		
Residual Value per sq.ft. of site	**$101.20**		

Fixed Rate CAC Calculation - Site 7

As shown in the following exhibit, this case study site supports an estimated CAC of about $5 per square foot of additional permitted floorspace over the base OCP density of 1.5 FSR.

CAC Analysis	
Estimated Rezoned Value	$899,805
Estimated Base Value	$839,600
Estimated Increase in Value for CAC Analysis	$60,205
CAC at 75% of Increased Value	$45,154
Floorspace at Base OCP Density	13,337
Assumed Floorspace Approved	22,228
Increase in Floorspace over Base Density	8,891
CAC per square foot of additional floorspace over base	**$5.08**

Site 8

Site 8 is located in the North Park neighbourhood. It is 24,120 square foot lot that is improved with an older industrial building. The site is zoned M-2 (industrial) and is designated Urban Residential allowing apartment development at a maximum density of 2.0 FSR.

Existing Value

To estimate the existing value, we considered two different indicators:

1. The existing assessed value is $1,740,000. Based on sales of similar industrial properties, the assessment is a good reflection of existing value.
2. Based on our land residual analysis (proforma analysis), the property would have a market value of about $1,400,000 as a development site at the base OCP density of 1.2 FSR.

The existing value is the highest of these three indicators, or $1,740,000.

Estimated Land Value at Maximum OCP Density of 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.0 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $2,653,000.

Site 8 - Estimated Supportable Land Value at 2.0 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	24,120	sq.ft.				
	201.00	feet of frontage				
Total Assumed Density	2.00	FAR				
Total Gross floorspace	48,240	sq.ft.				
Commercial floorspace	0					
Market Strata Residential floorspace	48,240	gross square feet				
Net saleable space	41,004	sq.ft. or	85%	of gross area		
Average Gross unit size	1,005	sq.ft. gross				
Average Net unit size	854	sq.ft.				
Number of units	48	units or				
Total Market Strata Unit Parking Stalls (including visitors)	58	stalls or	1.2	per unit		
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres		
Total Parking Stalls	58	stalls				
Underground/structured parking stalls provided	58	stalls	22,040	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$425	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$25.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.00%					
Value of Retail Space on Lease Up	$396	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$30,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$153,201	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$130	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$172	per gross sq.ft.				
Hard Cost Used in Analysis	$172					
Landscaping	$120,600	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100% of land cost		
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Current assessment (Year 1 of analysis)	$1,740,000					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$8,713,350	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 8 - Estimated Supportable Land Value at 2.0 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$17,426,700		
Less commissions and sales costs	$522,801		
Net residential sales revenue	$16,903,899		
Commercial Value	$0		
Commission on Commercial Sale	$0		
Net commercial value	$0		
Total Value Net of Commissions	$16,903,899		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$30,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$153,201		
Connection fees	$50,000		
Hard construction costs	$8,301,200		
Landscaping	$120,600		
Soft costs	$865,500		
Project Management	$192,410		
Residential Marketing	$348,534		
Commercial Marketing	$0		
Leasing commissions on commercial space	$0		
Car Share	$0		
Post Construction Holding Costs	$25,200		
Contingency on hard and soft costs	$508,072		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$160,662		
DCCs - commercial	$0		
Less property tax allowance during development	$43,831		
Construction financing	$490,464		
Financing fees/costs	$113,897		
Total Project Costs Before Land Related	$11,503,572		
Allowance for Developer's Profit	$2,272,442		
Residual to Land and Land Carry	**$3,127,885**		
Less financing on land during construction and approvals	$422,265		
Less property purchase tax	$52,112		
Residual Land Value	**$2,653,508**		
Residual Value per sq.ft. buildable	**$55.01**		
Residual Value per sq.ft. of site	**$110.01**		

Fixed Rate CAC Calculation - Site 8

As shown in the following exhibit, this case study site supports an estimated CAC of about $36 per square foot of additional permitted floorspace over the base OCP density of 1.2 FSR.

CAC Analysis	
Estimated Rezoned Value	$2,653,508
Estimated Base Value	$1,740,000
Estimated Increase in Value for CAC Analysis	$913,508
CAC at 75% of Increased Value	$685,131
Floorspace at Base OCP Density	28,944
Assumed Floorspace Approved	48,240
Increase in Floorspace over Base Density	19,296
CAC per square foot of additional floorspace over base	**$35.51**

Site 11

Site 11 is located in the Burnside neighbourhood. It is an assembly of two single family homes and a vacant lot totaling 22,800 square feet. The site is zoned R1-B allowing single family use and is designated Urban Residential allowing apartment development at a maximum density of 2.0 FSR.

Existing Value

To estimate the existing value, we considered two different indicators:

1. The existing assessed value is $819,300. Based on sales of similar older houses in the neighbourhood, the assessment is a good reflection of existing value.
2. Based on our land residual analysis (proforma analysis), the property would have a market value of about $600,000 as a development site at the base OCP density of 1.2 FSR.

The existing value is the highest of these three indicators, or $819,300. Because these are single family homes, we include a 20% assembly cost allowance bringing the total existing value to $983,160.

Estimated Land Value at Maximum OCP Density of 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.0 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $1,273,000.

Site 11 - Estimated Supportable Land Value at 2.0 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	22,800	sq.ft.				
	190	feet of frontage				
Total Assumed Density	2.00	FAR				
Total Gross floorspace	45,600	sq.ft.				
Commercial floorspace	0					
Market Strata Residential floorspace	45,600	gross square feet				
Net saleable space	38,760	sq.ft. or	85%	of gross area		
Average Gross unit size	1,013	sq.ft. gross				
Average Net unit size	861	sq.ft.				
Number of units	45	units or				
Total Market Strata Unit Parking Stalls (including visitors)	54	stalls or	1.2	per unit		
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres		
Total Parking Stalls	54	stalls				
Underground/structured parking stalls provided	54	stalls	20,520	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$360	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$25.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.00%					
Value of Retail Space on Lease Up	$396	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$30,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$144,817	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$120	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$161	per gross sq.ft.				
Hard Cost Used in Analysis	$161					
Landscaping	$114,000	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100%	of land cost	
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Current assessment (Year 1 of analysis)	$819,300					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$6,976,800	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 11 - Estimated Supportable Land Value at 2.0 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$13,953,600		
Less commissions and sales costs	$418,608		
Net residential sales revenue	$13,534,992		
Commercial Value	$0		
Commission on Commercial Sale	$0		
Net commercial value	$0		
Total Value Net of Commissions	$13,534,992		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$30,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$144,817		
Connection fees	$50,000		
Hard construction costs	$7,362,000		
Landscaping	$114,000		
Soft costs	$770,082		
Project Management	$171,418		
Residential Marketing	$279,072		
Commercial Marketing	$0		
Leasing commissions on commercial space	$0		
Car Share	$0		
Post Construction Holding Costs	$23,625		
Contingency on hard and soft costs	$451,069		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$151,869		
DCCs - commercial	$0		
Less property tax allowance during development	$30,970		
Construction financing	$435,551		
Financing fees/costs	$101,145		
Total Project Costs Before Land Related	$10,215,618		
Allowance for Developer's Profit	$1,819,549		
Residual to Land and Land Carry	**$1,499,824**		
Less financing on land during construction and approvals	$202,476		
Less property purchase tax	$23,947		
Residual Land Value	**$1,273,401**		
Residual Value per sq.ft. buildable	**$27.93**		
Residual Value per sq.ft. of site	**$55.85**		

Fixed Rate CAC Calculation - Site 11

As shown in the following exhibit, this case study site supports an estimated CAC of about $12 per square foot of additional permitted floorspace over the base OCP density of 1.2 FSR.

CAC Analysis	
Estimated Rezoned Value	$1,273,401
Estimated Base Value	$983,160
Estimated Increase in Value for CAC Analysis	$290,241
CAC at 75% of Increased Value	$217,681
Floorspace at Base OCP Density	27,360
Assumed Floorspace Approved	45,600
Increase in Floorspace over Base Density	18,240
CAC per square foot of additional floorspace over base	**$11.93**

Site 19

Site 19 is located in the Burnside neighbourhood. It is an assembly of four single family lots totaling 29,314 square feet. The site is zoned R3-2 allowing apartment development at a maximum density of 1.6 FSR and is designated Urban Residential allowing apartment development at a maximum density of 2.0 FSR.

Existing Value

To estimate the existing value, we considered three different indicators:

1. The existing assessed value is $1,551,000. Based on sales of similar older houses in the neighbourhood, the assessment is a good reflection of existing value.
2. Based on our land residual analysis (proforma analysis), the property would have a market value of about $1,000,000 as a development site at the base OCP density of 1.2 FSR.
3. Based on our land residual analysis (proforma analysis), the property would have a market value of about $1,400,000 as a development site under existing zoning at 1.6 FSR, which is slightly lower than its value under existing use so this site is not yet attractive for redevelopment under existing zoning.

The existing value is the highest of these three indicators, or $1,551,000. Because these are single family homes, we include a 20% assembly cost allowance bringing the total existing value to $1,861,200.

Estimated Land Value at Maximum OCP Density of 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.0 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $2,110,000.

Site 19 - Estimated Supportable Land Value at 2.0 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	29,314	sq.ft.				
	245.00	feet of frontage				
Total Assumed Density	2.00	FAR				
Total Gross floorspace	58,628	sq.ft.				
Commercial floorspace	0					
Market Strata Residential floorspace	58,628	gross square feet				
Net saleable space	49,834	sq.ft. or	85%	of gross area		
Average Gross unit size	994	sq.ft. gross				
Average Net unit size	845	sq.ft.				
Number of units	59	units or				
Total Market Strata Unit Parking Stalls (including visitors)	71	stalls or	1.2	per unit		
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres		
Total Parking Stalls	71	stalls				
Underground/structured parking stalls provided	71	stalls	26,980	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$375	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$0.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.50%					
Value of Retail Space on Lease Up	$0	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$60,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$186,738	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$120	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$162	per gross sq.ft.				
Hard Cost Used in Analysis	$162					
Landscaping	$146,570	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100%	of land cost	
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Current assessment (Year 1 of analysis)	$1,551,000					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$9,343,838	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 19 - Estimated Supportable Land Value at 2.0 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$18,687,675		
Less commissions and sales costs	$560,630		
Net residential sales revenue	$18,127,045		
Commercial Value	$0		
Commission on Commercial Sale	$0		
Net commercial value	$0		
Total Value Net of Commissions	$18,127,045		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$60,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$186,738		
Connection fees	$50,000		
Hard construction costs	$9,520,360		
Landscaping	$146,570		
Soft costs	$996,367		
Project Management	$221,201		
Residential Marketing	$373,754		
Commercial Marketing	$0		
Leasing commissions on commercial space	$0		
Car Share	$0		
Post Construction Holding Costs	$30,975		
Contingency on hard and soft costs	$582,749		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$195,259		
DCCs - commercial	$0		
Less property tax allowance during development	$44,739		
Construction financing	$562,892		
Financing fees/costs	$130,716		
Total Project Costs Before Land Related	$13,202,319		
Allowance for Developer's Profit	$2,436,873		
Residual to Land and Land Carry	**$2,487,853**		
Less financing on land during construction and approvals	$335,860		
Less property purchase tax	$41,040		
Residual Land Value	**$2,110,953**		
Residual Value per sq.ft. buildable	**$36.01**		
Residual Value per sq.ft. of site	**$72.01**		

Fixed Rate CAC Calculation - Site 19

As shown in the following exhibit, this case study site supports an estimated CAC of about $8 per square foot of additional permitted floorspace over the base OCP density of 1.2 FSR.

CAC Analysis	
Estimated Rezoned Value	$2,110,953
Estimated Base Value	$1,861,200
Estimated Increase in Value for CAC Analysis	$249,753
CAC at 75% of Increased Value	$187,315
Floorspace at Base OCP Density	35,177
Assumed Floorspace Approved	58,628
Increase in Floorspace over Base Density	23,451
CAC per square foot of additional floorspace over base	**$7.99**

Site 21

Site 21 is located in the Fairfield neighbourhood. It is an assembly of two single family lots totaling 12,540 square feet. The site is zoned R3-A1 allowing apartment development at a maximum density of 1.2 FSR and is designated Urban Residential allowing apartment development at a maximum density of 2.0 FSR.

Existing Value

To estimate the existing value, we considered three different indicators:

1. The existing assessed value is $1,239,100. Based on sales of similar older houses in the neighbourhood, the assessment is a good reflection of existing value.
2. Based on our land residual analysis (proforma analysis), the property would have a market value of about $900,000 as a development site at the base OCP density of 1.2 FSR.
3. Based on our land residual analysis (proforma analysis), the property would have a market value of about $900,000 as a development site under existing zoning at 1.2 FSR which is less than its value under existing use, so this site is not yet financially attractive for redevelopment under existing zoning.

The existing value is the highest of these three indicators, or $1,239,100. Because these are single family homes, we include a 20% assembly cost allowance bringing the total existing value to $1,486,920.

Estimated Land Value at Maximum OCP Density of 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.0 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $1,676,000.

Site 21 - Estimated Supportable Land Value at 2.0 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	12,540	sq.ft.				
	120	feet of frontage				
Total Assumed Density	2.00	FAR				
Total Gross floorspace	25,080	sq.ft.				
Commercial floorspace	0					
Market Strata Residential floorspace	25,080	gross square feet				
Net saleable space	21,318	sq.ft. or	85%	of gross area		
Average Gross unit size	965	sq.ft. gross				
Average Net unit size	820	sq.ft.				
Number of units	26	units or				
Total Market Strata Unit Parking Stalls (including visitors)	31	stalls or	1.2	per unit		
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres		
Total Parking Stalls	31	stalls				
Underground/structured parking stalls provided	31	stalls	11,780	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$490	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$25.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.00%					
Value of Retail Space on Lease Up	$396	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$30,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$91,463	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$150	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$193	per gross sq.ft.				
Hard Cost Used in Analysis	$193					
Landscaping	$62,700	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100% of land cost		
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Current assessment (Year 1 of analysis)	$1,239,100					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$5,222,910	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 21 - Estimated Supportable Land Value at 2.0 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$10,445,820		
Less commissions and sales costs	$313,375		
Net residential sales revenue	$10,132,445		
Commercial Value	$0		
Commission on Commercial Sale	$0		
Net commercial value	$0		
Total Value Net of Commissions	$10,132,445		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$30,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$91,463		
Connection fees	$50,000		
Hard construction costs	$4,847,000		
Landscaping	$62,700		
Soft costs	$508,116		
Project Management	$113,786		
Residential Marketing	$208,916		
Commercial Marketing	$0		
Leasing commissions on commercial space	$0		
Car Share	$0		
Post Construction Holding Costs	$13,650		
Contingency on hard and soft costs	$300,599		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$83,528		
DCCs - commercial	$0		
Less property tax allowance during development	$27,683		
Construction financing	$289,685		
Financing fees/costs	$67,271		
Total Project Costs Before Land Related	$6,794,398		
Allowance for Developer's Profit	$1,362,135		
Residual to Land and Land Carry	**$1,975,912**		
Less financing on land during construction and approvals	$266,748		
Less property purchase tax	$32,183		
Residual Land Value	**$1,676,981**		
Residual Value per sq.ft. buildable	**$66.87**		
Residual Value per sq.ft. of site	**$133.73**		

Fixed Rate CAC Calculation - Site 21

As shown in the following exhibit, this case study site supports an estimated CAC of about $14 per square foot of additional permitted floorspace over the base OCP density of 1.2 FSR.

CAC Analysis	
Estimated Rezoned Value	$1,676,981
Estimated Base Value	$1,486,920
Estimated Increase in Value for CAC Analysis	$190,061
CAC at 75% of Increased Value	$142,546
Floorspace at Base OCP Density	15,048
Assumed Floorspace Approved	25,080
Increase in Floorspace over Base Density	10,032
CAC per square foot of additional floorspace over base	**$14.21**

Site 23

Site 23 is located in the Jubilee neighbourhood. It is an 11,742 square foot vacant site. The site is zoned R3-A2 allowing apartment development at a maximum density of 1.2 FSR and is designated Urban Residential allowing apartment development at a maximum density of 2.0 FSR.

Existing Value

To estimate the existing value, we considered four different indicators:

1. The existing assessed value is $868,000.
2. The site recently sold for $1,150,000.
3. Based on our land residual analysis (proforma analysis), the property has a market value of about $1,000,000 as a development site under existing zoning at 1.2 FSR. This site is attractive for redevelopment under existing zoning.
4. Based on our land residual analysis (proforma analysis), the property would have a market value of about $900,000 if rezoned to the base OCP density of 1.2 FSR.

The existing value for our analysis is the highest of these indicators, or $1,150,000.

Estimated Land Value at Maximum OCP Density of 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.0 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $1,600,000.

Site 23 - Estimated Supportable Land Value at 2.0 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	11,742	sq.ft.				
	103.00	feet of frontage				
Total Assumed Density	2.00	FAR				
Total Gross floorspace	23,484	sq.ft.				
Commercial floorspace	0					
Market Strata Residential floorspace	23,484	gross square feet				
Net saleable space	19,961	sq.ft. or	85%	of gross area		
Average Gross unit size	979	sq.ft. gross				
Average Net unit size	832	sq.ft.				
Number of units	24	units or				
Total Market Strata Unit Parking Stalls (including visitors)	29	stalls or	1.2	per unit		
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres		
Total Parking Stalls	29	stalls				
Underground/structured parking stalls provided	29	stalls	11,020	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$490	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$25.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.00%					
Value of Retail Space on Lease Up	$396	per sq. ft. of leasable area, with	5.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$0					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$78,506	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$150	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$193	per gross sq.ft.				
Hard Cost Used in Analysis	$193					
Landscaping	$58,710	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100%	of land cost	
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Current assessment (Year 1 of analysis)	$868,000					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$4,890,543	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 23 - Estimated Supportable Land Value at 2.0 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$9,781,086		
Less commissions and sales costs	$293,433		
Net residential sales revenue	$9,487,653		
Commercial Value	$0		
Commission on Commercial Sale	$0		
Net commercial value	$0		
Total Value Net of Commissions	$9,487,653		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$0		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$78,506		
Connection fees	$50,000		
Hard construction costs	$4,537,600		
Landscaping	$58,710		
Soft costs	$472,482		
Project Management	$105,946		
Residential Marketing	$195,622		
Commercial Marketing	$0		
Leasing commissions on commercial space	$0		
Car Share	$0		
Post Construction Holding Costs	$12,600		
Contingency on hard and soft costs	$279,943		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$78,213		
DCCs - commercial	$0		
Less property tax allowance during development	$23,820		
Construction financing	$269,705		
Financing fees/costs	$62,631		
Total Project Costs Before Land Related	$6,325,778		
Allowance for Developer's Profit	$1,275,454		
Residual to Land and Land Carry	**$1,886,422**		
Less financing on land during construction and approvals	$254,667		
Less property purchase tax	$30,635		
Residual Land Value	**$1,601,120**		
Residual Value per sq.ft. buildable	**$68.18**		
Residual Value per sq.ft. of site	**$136.36**		

Fixed Rate CAC Calculation - Site 23

As shown in the following exhibit, this case study site supports an estimated CAC of about $36 per square foot of additional permitted floorspace over the base OCP density of 1.2 FSR.

CAC Analysis	
Estimated Rezoned Value	$1,601,120
Estimated Base Value	$1,150,000
Estimated Increase in Value for CAC Analysis	$451,120
CAC at 75% of Increased Value	$338,340
Floorspace at Base OCP Density	14,090
Assumed Floorspace Approved	23,484
Increase in Floorspace over Base Density	9,394
CAC per square foot of additional floorspace over base	**$36.02**

Site 26

Site 26 is 47,480 square foot property located in the Burnside neighbourhood that is improved with an older 55 room motel. The site is zoned T-1 and is designated Urban Residential allowing apartment development at a maximum density of 2.0 FSR.

Existing Value

To estimate the existing value, we considered three different indicators:

1. The existing assessed value is $1,950,400.
2. Based on recent sales of older motel properties in Victoria, the value of the property as an operating motel is about $50,000 per room, or $2,750,000.
3. Based on our land residual analysis (proforma analysis), the property would have a market value of about $1,486,000 as a development site at the base OCP density of 1.2 FSR.

The existing value is the highest of these three indicators, or $2,750,000.

Estimated Land Value at Maximum OCP Density of 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped at the maximum permitted OCP density of 2.0 FSR. As shown in the proforma, the estimated land value at the maximum OCP density is about $2,889,000.

Site 26 - Estimated Supportable Land Value at 2.0 FSR

Major Assumptions *(shading indicates figures that are inputs; unshaded cells are formulas)*						
Site and Building Size						
Site Size	47,480	sq.ft.				
	240.00	feet of frontage				
Total Assumed Density	2.00	FAR				
Total Gross floorspace	94,960	sq.ft.				
Commercial floorspace	0					
Market Strata Residential floorspace	94,960	gross square feet				
Net saleable space	80,716	sq.ft. or	85%	of gross area		
Average Gross unit size	1,000	sq.ft. gross				
Average Net unit size	850	sq.ft.				
Number of units	95	units or				
Total Market Strata Unit Parking Stalls (including visitors)	114	stalls or	1.2	per unit		
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres		
Total Parking Stalls	114	stalls				
Underground/structured parking stalls provided	114	stalls	43,320	square feet		
Surface parking stalls	0	stalls				
Strata Revenue and Value						
Average Sales Price Per Sq. Ft.	$360	per sq.ft. of net saleable residential space				
Commercial Revenue and Value						
Average Retail Lease Rate for Retail Space	$0.00	per sq. ft. net for shell space, no TI's				
Capitalization Rate for Retail Space	6.00%					
Value of Retail Space on Lease Up	$0	per sq. ft. of leasable area, with	0.00%	allowance for vacancy		
Pre-Construction Costs						
Allowance for Rezoning Costs	$100,000					
Construction Costs						
Allowance for Demolition of Existing Buildings	$50,000					
Other Costs 1	$0					
Other Costs 2	$0					
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	$182,927	or	$2,500	per metre of frontage		
Connection fees	$50,000					
Hard Construction Costs						
Market Strata Residential Area	$120	per gross sq.ft. of residential area				
Commercial Area	$175					
Cost Per Underground Parking Stall	$35,000	per underground/structured parking stall				
Cost Per Surface Parking Stall	$7,500	per at grade stall				
Overall Costs Per Square Foot	$162	per gross sq.ft.				
Hard Cost Used in Analysis	$162					
Landscaping	$237,400	or	$10	per sq.ft. on 50% of site		
Soft costs/professional fees (excluding management)	10.0%	of above				
Project Management	2.0%	of above				
Car Share Costs	$0					
Post Construction Holding Costs	$350	per unit on average of	25%	of units	6	months
Contingency on hard and soft costs	5.0%	of hard and soft costs				
Local Government Levies						
Regional Levy - Apartment	$0.00	per market unit				
Regional Levy - Commercial	$0.00	per sq.ft. of floorspace				
Residential DCCs	$3.33	per sq.ft. of floorspace				
Commercial DCCs	$2.15	per sq.ft. of floorspace				
Financing Assumptions						
Financing rate on construction costs	6.0%	on 50% of costs, assuming a	1.50	year construction period		
		and a total loan of	100%	on costs		
Financing fees	1.00%	of financed costruction costs				
Financing on Land Acquisition	6.0%	during construction on		100%	of land cost	
Marketing and Commissions						
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue				
Commissions on commercial sale	2.0%	of commercial value				
Marketing on residential	2.0%	of gross strata market residential revenue				
Leasing commissions on commercial	17.0%	of Year 1 income				
Marketing on commercial	$0					
Property Taxes						
Tax Rate (res)	0.719%	of assessed value				
Current assessment (Year 1 of analysis)	$1,950,400					
Assumed assessment after 1 year of construction (Year 2 of analysis)	$14,528,880	(50% of completed project value)				
Allowance for Developer's Profit	13.0%	of gross revenue, or	15.0%	of total costs		

Site 26 - Estimated Supportable Land Value at 2.0 FSR (continued)

Analysis			
Revenue			
Gross Market Residential Sales Revenue	$29,057,760		
Less commissions and sales costs	$871,733		
Net residential sales revenue	$28,186,027		
Commercial Value	$0		
Commission on Commercial Sale	$0		
Net commercial value	$0		
Total Value Net of Commissions	$28,186,027		
Project Costs			
Allowance for Rezoning Costs	$100,000		
Allowance for Demolition of Existing Buildings	$50,000		
Other Costs 1	$0		
Other Costs 2	$0		
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	$182,927		
Connection fees	$50,000		
Hard construction costs	$15,385,200		
Landscaping	$237,400		
Soft costs	$1,590,553		
Project Management	$351,922		
Residential Marketing	$581,155		
Commercial Marketing	$0		
Leasing commissions on commercial space	$0		
Car Share	$0		
Post Construction Holding Costs	$49,875		
Contingency on hard and soft costs	$926,458		
Regional Levy - Apartment	$0		
Regional Levy - Commercial	$0		
DCCs - residential	$316,261		
DCCs - commercial	$0		
Less property tax allowance during development	$66,249		
Construction financing	$894,960		
Financing fees/costs	$207,830		
Total Project Costs Before Land Related	$20,990,789		
Allowance for Developer's Profit	$3,789,132		
Residual to Land and Land Carry	**$3,406,106**		
Less financing on land during construction and approvals	$459,824		
Less property purchase tax	$56,926		
Residual Land Value	**$2,889,356**		
Residual Value per sq.ft. buildable	**$30.43**		
Residual Value per sq.ft. of site	**$60.85**		

Fixed Rate CAC Calculation - Site 26

As shown in the following exhibit, this case study site supports an estimated CAC of about $3 per square foot of additional permitted floorspace over the base OCP density of 1.2 FSR.

CAC Analysis	
Estimated Rezoned Value	$2,889,356
Estimated Base Value ($50,000 per room)	$2,750,000
Estimated Increase in Value for CAC Analysis	$139,356
CAC at 75% of Increased Value	$104,517
Floorspace at Base OCP Density	56,976
Assumed Floorspace Approved	94,960
Increase in Floorspace over Base Density	37,984
CAC per square foot of additional floorspace over base density	**$2.75**