



## Planning and Land Use Committee Report

### For the Meeting of May 14, 2015

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**To:** Planning and Land Use Committee **Date:** April 30, 2015

**From:** Charlotte Wain, Senior Planner – Urban Design

**Subject:** Rezoning Application No. 00477 for 819 Yates Street

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#### RECOMMENDATION

Staff recommend that Committee forward this report to Council and that Council instruct staff to prepare the necessary Zoning Regulation Bylaw Amendment that would authorize the proposed development outlined in Rezoning Application No. 00477 for 819 Yates Street, that first and second reading of the Zoning Regulation Bylaw Amendment be considered by Council and a Public Hearing date be set once the following conditions are met:

1. Registration of legal agreements to the satisfaction of staff to ensure that the building remains as a market-rental building for a minimum of ten years and that \$100,000 of the public art contribution is reallocated to affordable housing.

#### LEGISLATIVE AUTHORITY

In accordance with Section 903 (c) of the *Local Government Act*, Council may regulate within a zone the use of land, buildings and other structures, the density of the use of the land, building and other structures, siting, size and dimensions of buildings and other structures, as well as the uses that are permitted on the land and the location of uses on the land and within buildings and other structures.

In accordance with Section 904(1) of the *Local Government Act*, a *Zoning Regulation Bylaw* may establish different density regulations for a zone, one generally applicable for the zone and the others to apply if certain conditions are met.

In accordance with Section 905 of the *Local Government Act*, Council may enter into a Housing Agreement which may include terms agreed to by the owner regarding the occupancy of the housing units and provided such agreement does not vary the use of the density of the land from that permitted under the *Zoning Regulation Bylaw*.

## **EXECUTIVE SUMMARY**

The purpose of this report is to present Council with information, analysis and recommendations for a Rezoning Application for the property located at 819 Yates Street. The proposal is to amend the existing CA-62 Zone, Central Area (Yates-View) District, in order to remove the requirement for two supported-housing units as part of the list of amenities and instead include a Covenant to ensure market-rental of the building for a minimum period of 10 years.

A technical revision to the Zone is also proposed, which would remove the secure bike parking on the ground-floor from the Floor Space Ratio (FSR) calculations.

The following points were considered in assessing this Application:

- Although the proposal is not consistent with the OCP goals of supporting affordable housing, it will contribute to the provision of a range of housing types and tenures in the City through market-rental housing, which is another goal contained within the OCP.
- The proposal requires amendments to the Master Development Agreement (MDA), specifically the Housing Agreement and allocation of amenity contributions.
- A technical amendment to the Zone is proposed which would exclude 170m<sup>2</sup> of secure bike parking on the ground floor from FSR calculations, which would result in a more practical design solution for cyclists by eliminating the need for steps.

## **BACKGROUND**

### **Description of Proposal**

This Rezoning Application is to amend the existing CA-62 Zone, Central Area (Yates-View) District, in order to remove the requirement for two supported-housing units as part of the list of amenities. The applicant proposes to replace the two supported-housing units with a Covenant to ensure the market-rental of the building for a minimum of 10 years, as well as reallocating a portion of the amenity funds (50% which is equivalent to \$100,000) from public art to affordable housing.

A technical revision to the Zone is also proposed which would remove the secure bike parking on the ground floor from the Floor Space Ratio (FSR) calculations.

### **Sustainability Features**

The applicant has not identified any sustainability features associated with this proposal. However, in a previously approved Development Permit (that is not proposed to change) the following features were identified:

- bicycle storage for all 209 residential units
- provision of two bicycle storage facilities for the commercial units
- fresh air ventilation.

### **Land Use Context**

The site is in an area of predominantly commercial and residential uses. Immediately adjacent uses are:

- North (across Yates Street) – commercial and office commercial (The Atrium)
- East – St. Vincent de Paul Thrift store and residential
- South (across View Street) – retail commercial and residential
- West – Empire Theatre.

## Existing Site Development and Development Potential

The site is presently a surface parking lot.

Under the current CA-62 Zone, Central Area (Yates-View) District, the property could be developed for a variety of uses including residential, office, retail and restaurants at a density of up to 5.83:1 Floor Space Ratio (FSR) when the following amenities are provided:

- at least 80% of the floor area is provided exclusively for residential-use
- a 3m wide public walkway secured by a Statutory Right-of-Way along the east side of the property, in this Zone, linking Yates Street and View Street
- public art with a value of at least \$200,000.00
- a Housing Agreement pursuant to Section 905 of the *Local Government Act* providing for two supported-housing units, a minimum of 10% of adaptable-housing units and requiring that all housing units must be capable of being rented to tenants. This agreement is already in place.

## Relevant History

The property was rezoned in 2008 to a site-specific CA-62 Zone, Central Area (Yates-View) District. As part of the increase in density associated with the new zone, the provision of amenities, as described in the previous section, were secured through a Master Development Agreement (MDA). It should be noted that the majority of density bonus granted at the time of rezoning was attributed to the provision of residential use within the proposal, since this was a use that was lacking in the Downtown at the time and was, therefore, strongly encouraged. The provision for the supported-housing units was voluntarily offered by the developer as an "additional feature" and was not in direct response to the policy requirements set out in the former *Downtown Plan (1990)*. The policy at the time did, however, consider density bonus for projects that resulted in "provisions for housing" or "facilities that have a significant benefit to the community".

Council approved a Development Permit on November 6, 2014, to permit a 16-storey, mixed-use building with ground-floor commercial uses and 209 residential units with associated underground parking. The Developer has indicated that this Development Permit does not need to be revised and accommodates the proposed development.

## Community Consultation

Consistent with the *Community Association Land Use Committee (CALUC) Procedures for Processing Rezoning and Variances Applications*, the applicant has consulted with the Downtown Residents Association CALUC at a Community Meeting held on February 4, 2015. A letter dated March 16, 2015, is attached to this report.

## ANALYSIS

### Official Community Plan (2012)

The subject property is designated within the Core Business Urban Place designation of the *Official Community Plan (OCP)*, which supports commercial and retail with complimentary uses such as residential.



The OCP contains policy direction on housing and homelessness. Of the 20,000 new residents predicted to locate to the City within the next 30 years, 50% of those are expected to be accommodated within the Urban Core. One of the policy directions for the Urban Core is to accommodate and foster a greater range of housing options across the housing spectrum, including non-market housing. Other goals related to housing include access to appropriate, secure and affordable housing as well as the provision of a wide-range of housing types, tenures and prices. The OCP acknowledges the high cost of rental housing within the City along with the lack of purpose-built rental housing. It also recognizes that the need for supportive and subsidized non-market rental units for families, seniors and people with disabilities exceeds the supply in Victoria.

There are a number of broad OCP objectives relevant to this proposal, which are:

- housing development responds to future demands
- housing affordability is enabled for housing types across the housing spectrum, particularly those in core housing need
- that a wide range of housing choices are available within neighbourhoods to support a diverse, inclusive and multigenerational community
- that partnerships enable stable housing with appropriate support service.

The OCP also contains a number of policies related to supported and non-market rental housing, with an emphasis on establishing units directed towards specific groups in core need. New transitional and supported-housing units are encouraged in the Policy.

Market-rental housing is also addressed in the OCP with the promotion of Housing Agreements and Covenants that ensure the opportunity for use of all units as rental units within strata bylaws.

### **Master Development Agreement**

The MDA was secured at the time of the original rezoning in 2007. Along with a number of other requirements, the MDA provides the details of the supported-housing units that were listed as part of the amenity package for increased density. As it currently stands, the two supported-housing units are required to be rented to and occupied only by those having an income of \$25,500 or less or as recognised by provincial or federal government housing agencies as the "core need income threshold" for Greater Victoria. The MDA also notes that the supported units will be managed by the Capital Regional District Housing Secretariat, including the selection of tenants.

The MDA also includes the provision to ensure that there are no restrictions on the rental of residential units by non-owners.

Although the MDA and the Housing Agreement contemplate supported-housing units to be managed by the CRD Housing Secretariat, amendment of the Agreements does not require CRD's consent and the City and the property owner may modify the agreement to reflect new circumstances. However, staff has sought CRD's comments on the proposal and the response from the CRD is included with this report.

An agreement between the CRD and the developer at the time of the original rezoning (separate from the MDA) provides further details regarding the target tenants, which was intended to be for older single women, aged 45 to 60, who have successfully completed transition from emergency and second stage housing and are prepared to enter a new life of independence but require access to affordable housing. The tenant selection would be undertaken by the Victoria Women's Transition House Society.

The MDA contains provisions addressing the requirement for public art, with a value of no less than \$200,000. Details of the public art proposal, along with a security deposit, must be submitted to the City prior to the issuance of a Building Permit. The applicant has indicated that they would be willing to provide public art that meets the requirements in the MDA but has a lower value and that the remaining \$100,000 could be reallocated to affordable housing. Staff recommend for Council's consideration that this reallocation of funds be supported. The recommendation includes wording to this effect.

### **Economic Analysis**

The applicant volunteered to undertake an independent third party economic analysis (attached) to review the implications for the removal of the two supported-housing units as required under the current Zone and instead allow the entire building (consisting of 209 units) to be used for market-uses. The primary objective was to understand whether the increased value to the Developer from the change in use of the two supported units is commensurate with the change in value resulting from a Covenant to maintain the building as rental housing for 10 years. The analysis also considered the hypothetical scenarios of including a Housing Agreement to maintain the building as rental for 20 and 30 years.

The analysis concluded that in all of the scenarios, the land value for the building being used entirely for market rentals does not exceed the land value for the building being marketed as strata condominiums with two supportive-housing units (as previously proposed). As such, there is no economic evidence that there should be any amenity contribution from the change in tenure.

### **Zoning Regulation Bylaw**

The proposal includes revisions to the CA-62 Zone, Central Area (Yates-View) District, to remove the 170m<sup>2</sup> of secure bike parking on the ground floor from FSR calculations. Under the current *Zoning Regulation Bylaw*, all floor area at-grade is included in the FSR calculation. The previously approved Development Permit Application was proposed at 5.81:1 FSR. Including the bike parking on the ground floor, the FSR calculations would have exceeded the maximum density allowed under the current zoning (5.83:1). To avoid this, the design response was to lower the bike parking below grade, which results in a series of steps to access the bike rooms. Excluding the bike parking from the FSR calculations would enable the bike parking room to be located at-grade, which would result in a more practical design solution to encourage alternative modes of travel. Staff, therefore, recommend that Council support this change to the Zone.

### **CONCLUSIONS**

While the proposal would remove two supported-housing units that were included as part of the overall amenity package in 2008, these were not the primary consideration for the approval of the density bonus at the time. The key factor that provided the rationale for the increase in density in 2008 related to the provision of residential-use within the proposal.

To conclude, in the absence of any policy direction ranking the need for affordable housing above market-rental housing and, given that the proposal will result in an additional 209 rental units for 10 years, staff recommend for Council's consideration that Council approve the Application with certain conditions as set out in this report.

### ALTERNATE MOTION

That Council decline Rezoning Application No. 00477 for the property located at 819 Yates Street.

Respectfully submitted,



Charlotte Wain  
Senior Planner – Urban Design  
Development Services Division



Alison Meyer, Assistant Director  
Development Services Division  
Sustainable Planning and Community  
Development Department

Report accepted and recommended by the City Manager:



Jason Johnson

Date:

May 6, 2015

CW:aw

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### List of Attachments

- Zoning map
- Aerial map
- Letter from developer dated February 17, 2015
- Letter from Downtown Residents Association, dated March 16, 2015
- Email from CRD, dated May 1, 2015
- Land Lift Analysis (G.P. Rollo & Associates Ltd) dated April 17, 2015.

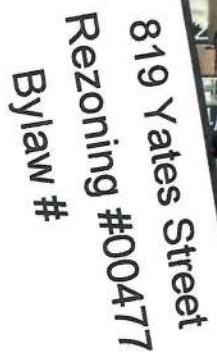




819 Yates Street  
Rezoning #00477  
Bylaw #









February 17, 2015

City of Victoria  
#1 Centennial Square  
Victoria, BC V8W 1P6

Attention: Mayor & Council

**RE: Text Amendment to Zoning Bylaw CA-62, 819 Yates St. Victoria  
To facilitate the development of a purpose built residential rental building**

819 Yates Limited Partnership (819) is seeking Council's approval for a text amendment to the existing CA-62 Zone for 819 Yates Street to remove a requirement to provide two supportive housing units. This requirement was predicated at time of approval on the residential suites being developed as a market condominium project. If Council approves the proposed text amendment, 819 will be able to proceed with the long awaited redevelopment of the property from a surface parking lot into a 15 storey mixed-use rental residential building. The project will include underground parking facilities, 6,600 sq.ft. of retail area at grade and 209 purpose-built market rental units as recently approved by Council under development permit #000381.

These additional market rental housing units will provide economic benefits to the City of Victoria, assist in addressing the lack of supply of secure market rental housing, provide much needed housing options and add vitality to Victoria's downtown core.

### Site History

For the last 45 years, the surface parking lot at 819 Yates Street has satisfied Downtown Victoria's parking needs. During that time, with Council's guidance, the City has evolved considerably into the walkable and vibrant urban community that we know today.

In 2007 the property was granted its current zoning, which supported high-density high-rise residential uses at an FSR of 5.83:1 and a height of up to 17 storeys. The intent of this zoning was to provide a location for market condominium housing within the downtown core. However, since 2007, the economic conditions have not been sufficient to develop this property as originally envisioned by the previous owner and currently by 819.

In October 2011, 819 acquired 819 Yates from the previous developer. At that time it was clear that the demand for condominium residential was insufficient for a condominium project of this magnitude to proceed in the foreseeable future. After careful consideration 819 has determined the most viable development solution for the site, given current economic conditions is as a purpose built rental building. This would not have been a viable option only a few years back but given the current low interest

environment and interest by pension funds to invest in multifamily rental residential, the opportunity now exists to see this property developed.

### **Victoria's Rental Housing Market**

Victoria's affordable rental housing is impacted by many factors. Primarily these factors translate into a constrained supply and a strong demand for housing. In part this is due to population growth and the persistent gap between home ownership and cost of renting. As a result...

**"...the average increase in apartment rents in the Victoria CMA between October 2013 and October 2014 was 1.9 per cent" (p.3 CMHC's Rental Market Report – Victoria CMA – Fall 2014)**

The majority of the City's market rental units can be found in purpose-built rental buildings. Most of this stock was constructed between the 1950s and 1960s when senior government programs facilitated rental housing development via tax incentives. Today these units continue to be the primary source of rental housing in the City and offer some of the most affordable market rents in the City. However, with many of these buildings are now well over 50 years of age, the maintenance, retention, and continual replacement of these units will be critical to the City's supply of rental housing for the foreseeable future.

Without a new supply of purpose built rental housing, affordable rental housing will become increasingly challenged. While a few new purpose-built rental units have been completed in recent years, they have been insufficient to address the growing demand. In fact during the last year, 359 new rental units (primarily the Q and Hudson Mews) were added to the rental market, yet...

**"...according to the Rental Market Survey conducted CMHC in October 2014, the rental apartment vacancy rate in the Victoria CMA declined to 1.5 % as rental demand outpaced the increase in the supply of rental units." (p.2 CMHC's Rental Market Report – Victoria CMA – Fall 2014)**

Over the last decade the growth in rental units in the secondary rental market has helped to diversify the City's market rental stock. The secondary rental market consists of secondary suites, condominium apartments, and other dwelling units being rented out by owner/investors. However, while more City residents are now renting from the secondary rental market these types of units are not secure rental housing resources. Additionally, the supply of secondary rental market housing has also not been able to keep pace with Victoria's demand.

To effectively address affordable rental housing for the broader population, a significant new supply of purpose built rental is required. Thus, by adding new purpose built rental stock, overall supply will be increased to address existing and future demand. While it is recognized that new rental projects deliver higher cost rental housing, it should be noted that this new housing stock reduces demand for the remaining stock. Thus, rental rates for the existing older stock may be reduced in response to market conditions.



### **Purpose Built Rental Purchase Agreement**

The development challenges associated with building new purpose-built rental residential buildings are formidable. As a result only a few projects have been completed over the last few years and even fewer were completed during the last several decades. Many market rental projects in Vancouver and Victoria have been approved yet few are delivered due to the low financial yield opposite the considerable development risks. To effectively move forward with a purpose-built rental project, one must have an excellent location, an efficient building form and to carefully manage the development risks prudently and professionally.

For 819, an essential part of the economic risk equation was to secure a sale of the completed building prior to commencing construction (a forward sale). We are pleased to advise that we have achieved this milestone and have secured a conditional agreement with a well established Canadian owner/operator of market rental housing.

However, this Purchase and Sale Agreement is subject to 819 securing the requested Text Amendment to remove from the zoning the requirement to provide two supportive housing units at 819 Yates. While we have attempted to alleviate concerns about these two units for the purchaser, they have been clear on this matter from the outset and they will not waiver on their position that this requirement must be removed from the zoning at the time of completing the transaction for the sale to move forward.

As the purchaser's primary business is rental housing, they are willing to place a 10 year rental covenant on the lands. This would give the City of Victoria the legal comfort that a rental building will be developed at 819 Yates if the requested Text Amendment to the rezoning is enacted.

### **Benefits of Purpose-Built Rental Housing**

High quality rental housing that offers close proximity to amenities and transit, security of tenure, professional management and condominium level finishes are highly desired by young professionals, empty nesters and long time renters that live and work within the downtown area.

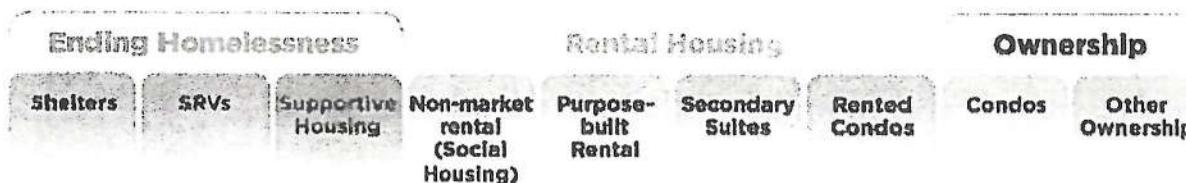
Similarly, employers benefit from having high quality market rental housing within the Downtown Core as it is an effective tool to attract employees to the Victoria area. This is particularly true in the high tech sector and office sectors where talent is often being pursued from lower cost housing markets in Canada and the USA.

By developing 819 Yates Street as a purpose-built rental residential building there will be additional vitality to the retail, restaurants and amenities within the downtown core. Furthermore, a significant amount of rental units will be provided next to the central business district providing a more affordable housing option (compared to condominium ownership) for young professionals and others who may be seeking housing alternatives.

### **Housing Continuum**

The lack of housing impacts all aspects of the housing continuum. This can take the form of high condominium prices all the way through to an inadequate supply of shelter beds. Over the last four

decades, the private sector has primarily focused on the Ownership end of the Continuum (see below), while the service and public sector has focused on the Ending Homelessness end of the Continuum.



However, to effectively address affordable housing, the central part of the Continuum must also be addressed.

To that end, rather than retaining the existing surface parking lot and at some point in the future, building a 207 unit condominium project with 2 supportive housing units, 819 is proposing to address the middle of the housing continuum and create 209 purpose built rental units.

The approval of the proposed Text Amendment, without any further tax incentives or subsidy by the City of Victoria or Capital Regional District, the private sector can assist in addressing a broader range of the housing continuum than the inclusion of the two supportive housing units.

### Summary

By granting the requested Text Amendment, the long awaited development of 819 Yates will be able to proceed as a purpose-built residential rental building. The completed building will provide rental housing within close proximity to jobs, transit and amenities. It will also contribute to downtown core's urban fabric as well as its economic vitality.

The addition of 209 market rental units to the downtown area will provide a high quality rental accommodation that is both secure and professionally managed thereby providing additional housing options to residents of Victoria who wish to live downtown without the responsibilities and costs associated with home ownership.

The end purchaser of the 819 Yates market rental building will consent to a 10-year rental covenant being placed on the lands. This covenant provides legal security to the City of Victoria that the building at 819 Yates will remain as market rental housing for this period of time.

In order to move this project forward we respectfully request Councils support on this Text Amendment for 819 Yates Street.

Yours truly,  
819 YATES LIMITED PARTNERSHIP

David Chard





1715 Government Street  
Victoria, BC  
V8W 1Z4  
250.386.5503

Mayor and Council  
City of Victoria  
No.1 Centennial Square  
Victoria, BC  
V8W 1P6

March 16, 2015

**Re: 819 Yates Street – Text Amendment to Zoning Bylaw CA-62**

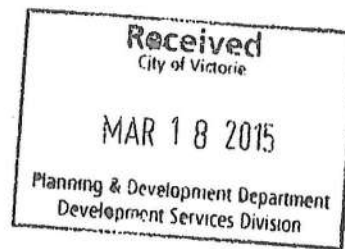
Dear Mayor Helps and Council,

The DRA LUC has reviewed the documents and drawings for the above-mentioned application. Additionally, the DRA LUC hosted a CALUC meeting on February 4, 2015 with Dave Chard presenting. Nineteen people from the community registered their attendance at the door.

Based on the information presented by the applicant, we understand that the purpose of the text amendment is to remove a requirement to provide two supportive housing units to facilitate the development of a residential rental building. Apart from this change, we understand that there have been no other material changes to the proposal as originally presented to the DRA LUC as part of the Development Permit Review. (Our letter of response to that presentation, dated September 12, 2014, is attached.)

There were several questions and comments from those who attended, but most were not relevant to this application. Relevant comments and concerns raised at the CALUC meeting by the public are as follows;

- One person asked for clarification of the meaning of "supportive housing";
- An attendee enquired if the text amendment did not pass, and the Purchase and Sale Agreement failed, whether the project would fold;
- One person enquired whether there was an option to amend the wording of the requirement for two supportive housing units such that those two units could be managed by the owner and not the CRD; and,
- Following the previous question, one person asked whether the potential buyer would have an appetite to independently manage two supportive housing units within the proposed rental residential building.



There were significantly more questions and comments offered that are not relevant to this application referring largely to matters of built form, mix of unit size, projected rental prices, location of commercial frontage, parking, en suite amenities, sightlines, and timelines.

While it was encouraging to see supportive housing units included in the previously approved condominium project on this site, the requirement for the supportive units may pose an obstacle for the project to proceed as a purpose-built rental residential building. While the DRA regrets the loss of two supported housing units, on balance we think the project should go ahead with amended zoning as the benefits of 209 new rental units would greatly improve an undersupplied housing sector and add vitality to the downtown precinct. We also strongly support the proposed 10-year rental covenant being placed on the lands to ensure that the building remains market rental housing for that timeframe.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ian Sutherland', with a stylized, flowing script.

Ian Sutherland  
Chair Land Use Committee  
Downtown Residents Association



## Charlotte Wain

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**From:** Henry Kamphof <hkamphof@crd.bc.ca>  
**Sent:** Friday, May 1, 2015 9:49 AM  
**To:** Charlotte Wain  
**Subject:** 819 Yates Development Proposal

Good morning Charlotte,

In follow-up to your request confirming the present position on the Preliminary Partnership Considerations Agreement of November 29, 2006 between the Capital Region Housing Corporation and Peerless Properties Ltd.;

These affordable housing considerations were secured at the request of the City of Victoria Planning Department in an effort to secure some element of affordable housing within this large condominium proposal. It has never been clarified formally the status of these "considerations" and their application to the development of this proposal.

The 819 Yates proposal is now to be a rental project and therefore the November 29, 2006 agreement considerations be retracted as a condition of development.

Therefore it is hoped that the City of Victoria could encourage some form of affordable rental housing within this proposal or to have the developer provide an appropriate financial contribution to the City of Victoria Affordable Housing Fund.

*Henry Kamphof*

**Senior Manager  
Housing Secretariat  
625 Fisgard St Victoria BC V8W 2S6  
telephone 250-360-3081  
fax 250-361-4970  
[hkamphof@crd.bc.ca](mailto:hkamphof@crd.bc.ca)**



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April 17, 2015

Charlotte Wain  
City of Victoria  
1 Centennial Square  
Victoria, BC, V8W 1P6

**Re: 819 Yates Street Economic Analysis**

G.P. Rollo & Associates (GPRA) has been retained by the City of Victoria to complete an Economic Analysis for the rezoning of 819 Yates Street (hereafter referred to as 'the Site') in order to determine an estimate of the value to Chard Developments (the Developer) from the removal of the requirement under the Master Development Agreement (MDA) to provide 2 units of supportive housing to the Capital Regional District (CRD) Housing Secretariat and instead allow the entire building (consisting of 209 units) to be used for market uses.

As well, GPRA is to estimate the value of the development with a covenant to maintain the building as market rental housing for a minimum of ten years versus the value of the development as a market strata project. The City also requested that GPRA provide analysis of the project with an agreement to maintain the building as rental for 20 and 30 years as well. Ultimately the City wishes to understand whether the increased value to the Developer from the change in use of the 2 units is commensurate with the change in value resulting from a covenant to maintain the building as rental housing for ten years.

The analysis consisted of preparation of residual land value analyses which determines the maximum value that a developer could afford to pay for the site if developed under the existing MDA as well as the land value supported by the proposed change in tenure. GPRA used standard developer proformas for each case to model the economics of typical development as proposed/allowed under the new zoning. The 'Lift' is then calculated as the difference in residual land values under both the MDA and the proposed new zoning.

**METHODOLOGY & ASSUMPTIONS**

The Site is 2,628 square metres in area and can be developed under the MDA at a density up to 5.83 FSR with a mix of ground floor commercial amounting to 613 square metres with 14,660 square metres of residential above. The MDA requires that 2 residential units be sold to the CRD for supportive housing, with an indicated value of \$150,000 per unit in 2007 dollars. The only change being requested by the rezoning is the removal of the requirement to sell the 2 units to the CRD for supportive housing. No changes to the FSR or GBA allotted to general uses have been requested, and the developer will still maintain the public walkway and the \$200,000 contribution for public art required as part of the MDA.



The analyses are created using a standard developer proforma wherein estimates of revenues and costs are inputs and the remaining variable is the desired output. In typical proformas this output is usually profit, following a revenues minus costs equals profit formula.

For a residual land valuation, however, an assumption on developer's return needs to be included in order to leave the land value as the variable to solve for. For the MDA analyses GPRA has determined the residual value based on the developer achieving an acceptable profit of 15% on total project costs (calculated as a representative portion of overall project costs for the proposed development). The residual values are the maximum supported land value a developer could pay for the site (under the density and conditions tested) while achieving an acceptable return for their project that would be primarily a strata condominium building.

It is often the case that a developer cannot achieve a profit on the sale of a rental project immediately after completion and instead takes a long term perspective looking at value as an ongoing income stream with a potential disposition at some point in the future. This is true for this project. As such, for the residual value of the building entirely utilized for market rentals GPRA has instead looked at the developer achieving an acceptable return on their investment measured as an Internal Rate of Return (IRR) and the maximum supported land value to would allow a developer to achieve a target IRR.

The two units required to be sold to the CRD in the MDA were originally to be sold for \$150,000 per unit in the housing agreement between the CRD and the previous owner of the Site. However, GPRA has adjusted the value of the units to reflect inflation since 2007 when the agreement was written. GPRA has indexed the \$150,000 at 3% inflation compounded for 8 years, resulting in a 2015 value for the each of the units at \$190,000, or \$380,000 for both units.

The residual land values determined from this analysis of the property as a rental building is then compared to the value of the Site under the MDA to establish a 'lift' in value that arises from the change in uses. This lift in value is the total potential monies that are available for public amenities or other public works not considered as part of the analysis. GPRA have made allowances for streetscape and public realm improvements that would typically be incurred through development in both sets of analysis. Any additional improvements that would be required only from the proposed rezoning and not from development under current planning would impact the lift and would need to be identified, priced, and included in a revised analysis.

Typically there is some sharing of the lift value between the Municipality/District and the developer, but the percentage shared varies by community and by project. It is GPRA's understanding that in compliance with current policy, the City has determined that they will seek 75% of the lift for amenities.

GPRA determined strata revenues used in the analyses from a review of recent sales and offerings for sale of recently developed apartments of concrete construction within roughly 10 km of the Site, with a focus on projects that were deemed comparable to that which has been proposed for the Site. Rental rates were derived from a similar search within 10 km of the Site, as were commercial rents. Project costs were derived from sources deemed reliable, including information readily available from quantity surveyors on average hard construction costs in the City. Development or soft costs have been drawn from industry standards, and from the City's

sources. All other assumptions have been derived from a review of the market and from other sources deemed reliable by GPRA.

#### CONCLUSIONS & RECOMMENDATIONS

GPRA identifies the lift (the lift being defined as the difference in supported land value for the property as a strata with the 2 supportive housing units and the supported land value for the property as a full market rental building) on the 819 Yates Street Site from rezoning as being roughly -\$2.9 million with the building being used for market rentals for a minimum 10 years. The loss drops to -\$1.6 million with the rentals being maintained for 20 years, and to -\$1.15 million when rented for 30 years. The reduction in loss with each increment of ten years in holding the property is due to the amount of debt remaining based on a 25 year mortgage being taken out once the building has been completed. After ten years there is still 15 years' worth of mortgage payments to be retired which reduces the funds received from a disposition. After 20 years of holding the property, there is only 5 years of mortgage payments, and after 30 years the mortgage has been retired. However, in none of the scenarios does the land value for the building being used for all market rentals exceed the land value for the building being marketed as strata condominiums with 2 supportive housing units to be sold to the CRD for a total of \$380,000. As such, there is no economic evidence that there should be any amenity contribution from the change in use.

I trust that our work will be of use in the City's decision on the rezoning 819 Yates Street. I am available to discuss this further at your convenience.



Gerry Mulholland | Vice President  
G.P. Rollo & Associates Ltd., Land Economists  
T 604 275 4848 | M 778 772 8872 |  
E [gerry@rolloassociates.com](mailto:gerry@rolloassociates.com) | W [www.rolloassociates.com](http://www.rolloassociates.com)