

REPORTS OF THE COMMITTEES

1. Committee of the Whole – March 3, 2016

1. Concerns Raised by the Applicant Regarding the Density Bonus Land Lift Analysis and Amenity Contribution for 605-629 Speed Avenue and 606-618 Frances Avenue

It was moved by Councillor Loveday, seconded by Councillor Alto, that Council postpone consideration, until the report on bonus density is considered by Council.

That Council reconfirm its motion of October 29, 2015, that endorses the recommendations in the density bonus community amenity contribution analysis dated September 13, 2013, and that the monetary contribution due to a density bonus be split equally between the Victoria Housing Fund and neighbourhood amenities within the Burnside-Gorge neighbourhood.

Carried Unanimously

4.1 Concerns Raised by the Applicant Regarding the Density Bonus Land Lift Analysis and Amenity Contribution for 605-629 Speed Avenue and 606-618 Frances Avenue

Committee received a report dated February 12th, 2016 from the Sustainable Planning and Community Development Department regarding providing information and recommendations on the request of the applicant to provide a density bonus amenity contribution less than the amount established through the third party land lift analysis.

Action: It was moved by Councillor Young, seconded by Councillor Isitt, that Council reconfirm its motion of October 29, 2015, that endorses the recommendations in the density bonus community amenity contribution analysis dated September 13, 2013, and that the monetary contribution due to a density bonus be split equally between the Victoria Housing Fund and neighbourhood amenities within the Burnside-Gorge neighbourhood.

Motion to postpone: It was moved by Councillor Isitt, seconded by Councillor Madoff, that this application be postponed until the report on bonus density is considered by Council.

On the motion to postpone:
CARRIED 16/COTW

For: Mayor Helps, Councillors Isitt, Loveday, Lucas, Madoff, Thornton-Joe, and Young

Against: Councillors Alto

REPORTS OF THE COMMITTEE

3. Committee of the Whole – February 25, 2016

6. Concerns Raised by the Applicant Regarding the Density Bonus Land Lift Analysis and Amenity Contribution for 605-629 Speed Avenue and 606-618 Frances Avenue:

It was moved by Councillor Coleman, seconded by Councillor Thornton-Joe, that Council postpone item #4, 'Concerns Raised by the Applicant Regarding the Density Bonus Land Lift Analysis and Amenity Contribution for 605-629 Speed Avenue and 606-618 Frances Avenue' until the March 3, 2016 Committee of the Whole meeting, as per the request of the applicant.

Carried Unanimously

4.3 Concerns Raised by the Applicant Regarding the Density Bonus Land Lift Analysis and Amenity Contribution for 605-629 Speed Avenue and 606-618 Frances Avenue

Action: It was moved by Councillor Alto, seconded by Councillor Madoff that agenda item #4 – Concerns Raised by the Applicant Regarding the Density Bonus Land Lift Analysis and Amenity Contribution for 605-629 Speed Avenue and 606-618 Frances Avenue, be postponed until the March 3, 2016 Committee of the Whole meeting, as per the request of the applicant.

CARRIED UNANIMOUSLY 16/COTW

EXECUTIVE SUMMARY

The purpose of this report is to provide information and recommendations on the request by the applicant to provide a density bonus amenity contribution less than the amount established through the third party land lift analysis undertaken by G.P. Rollo & Associates. The amount of the density bonus amenity contribution is based on Council's practice of recovering 75% of the lift in the value of the land to offset impacts of the additional density.

The request from the applicant is in a letter dated January 10, 2016, from Strongitharm Consulting Ltd on behalf of Oakwood Parks Estate Ltd. (attached). The author provides an explanation for contributing significantly less than the amount resulting from the density bonus land lift analysis. Instead, the applicant is offering to contribute 25% of the land value lift (\$335,000.00) minus the cost of providing a walkway (\$75,000.00) resulting in the offer of a cash offer of \$260,000.00.

The content of the letter includes the following:

- Concerns largely related to the validity of Council having a bonus density policy outside Downtown without having a formally adopted system for its implementation.
- An analysis of the findings of the density bonus land lift analysis prepared by G.P. Rollo & Associates is not provided but the letter suggests that the amount is seen as not in keeping with Provincial guidelines regarding "modest contributions".
- The benefits of the project, as seen by the applicant, are cited (including future tax revenues for the City) as well as what are seen as extra-ordinary costs associated with its construction.
- The project is described as "high risk" with the amount of desired profit at 20% to 25% rather the standard profit of 15% in the proforma.
- A letter from Russ Reynolds of IPA International Property Appraisers Inc. is attached to the letter supporting the author's conclusions regarding the project's high risk, including its commercial component. The letter also notes that the land lift approach to determining the increased land value due to increased density is acceptable but is characterized as "highly subjective and it is recommended that it not be the only approach to value".

The following points were considered in reviewing the letter and assessing the applicant's request:

- Zoning for amenities and affordable housing is not limited to Downtown and can occur throughout the city as appropriate.
- The Coriolis report on the bonus density amenity contribution policy outside Downtown, reviewed by Council on July 9, 2015 (attached), recommends retention of the land lift analysis approach for larger sites and those projects such as Speed Avenue and Frances Avenue involving amendments to the *Official Community Plan* land use designations.
- The land lift approach provides a consistent, transparent and fair methodology for establishing the amount of additional land value created through public policy and associated density bonus amenity contribution a project can provide and remain profitable. A negotiation of the contribution based on this enables consideration of varying circumstances where warranted and demonstrated by the applicant.
- The applicant has not directly disputed the amount of the land lift resulting from the land lift analysis or provided a strong rationale for a reduction in the density bonus amenity contribution. Rather, the applicant is questioning the share of the land lift that should be paid.
- A contribution of 75% of the increased land value to the City by the applicant would be commensurate (though not fully investigated) with the costs of their provision for public

facilities and spaces, community recreation and other public investments required to support an increase in residents in this location. This is because the proposed residential use is in what is now a largely commercial and light industrial area particularly lacking in residential amenities.

- Council has consistently (with one recent exception) received density bonus amenity contributions at 75% or more of the land lift value for density bonus Rezoning Applications outside Downtown (table attached).
- Bonus density contributions have been used for a variety of on-site and off-site amenities, as well as cash-in-lieu for amenities such as walkways and affordable housing.
- A departure from a 75% of increased land value of density bonus amenity contribution for this large project with its large lift in land value would be inconsistent with current practices and contributions received from other applicants who have had density bonus Rezoning Applications approved outside the Downtown.
- Despite the past practice and rationale for maintaining the requirement for a contribution of 75% of the value of the land lift to fund the enhancement of amenities required to support this increase in residential density, Council may reduce the contribution as desired.

PURPOSE

The purpose of this report is to provide information and recommendations on the request by the applicant to provide a density bonus amenity contribution less than the amount established through the third party land lift analysis undertaken by G.P. Rollo & Associates. The amount of the density bonus amenity contribution is based on Council's practice of recovering 75% of the lift in the value of the land to offset impacts of the additional density.

BACKGROUND

Speed and Frances Density Bonus Land Lift Analysis

Council required that a land lift analysis be undertaken to establish the lift in land value due to the increased density and need for commensurate amenities as a condition of this Rezoning Application proceeding to a Public Hearing. The third party land lift analysis for the Rezoning Application at Speed Avenue and Frances Avenue was undertaken by G.P. Rollo & Associates Ltd., Land Economists and submitted to the City in September 2013 (attached). The land lift was taken from an average base density of 1.5:1 for the site, which has an Urban Residential land-use designation on Speed Avenue and General Employment on Frances Avenue. The residual land value analysis resulted in a lift in land value of \$1.3 million. This reflects the proposed large increase in residential density that is not anticipated in the *Official Community Plan* in this location. Council's practice for properties outside the Downtown has been based on the Downtown Core Area Bonus Density policy of recovering 75% of the land lift value either as a monetary contribution or through the provision of a public amenity identified by the City to support and advance objectives and policies. For this Application this results in a Density Bonus amenity contribution of \$975,000.00.

At its meeting on October 29, 2015, Council endorsed the recommendations in the bonus density community amenity contribution analysis with the monetary contribution to be split equally between the Victoria Housing Fund and neighbourhood amenities within the Burnside-Gorge neighbourhood (minutes attached).

At the Planning and Land Use Committee meeting on October 29, 2015, Councillors discussed the proposed development and the proposed density bonus amenity contribution and its allocation. A

letter from the applicant dated February 14, 2014, was attached to the staff report presented at this meeting. The letter outlined concerns regarding the amount of the density bonus community amenity contribution and advised of a willingness to pay \$200,000.00. Another undated letter from the applicant was added as a late item to the meeting agenda emphasizing the disagreement with the land lift analysis and providing information on the purchase and rental cost increases per unit, should the contribution amount be passed on to purchasers or renters. Staff advised Council that the applicant had not provided a supporting analysis for the amenity contribution amount of \$200,000.00 being offered. Two Councillors commented that the applicant could provide additional economic information on the amenity contribution before or at the Public Hearing on the Application (minutes attached).

In a letter to Mayor and Council dated January 10, 2016 from Strongitharm Consulting Ltd. on behalf of Oakwood Parks Estate Ltd. (attached), the author provides an explanation for contributing significantly less than the amount resulting from the density bonus land lift analysis. Instead, the applicant is offering to contribute 25% of the land value lift (\$335,000.00) minus the cost of providing a walkway (\$75,000.00) resulting in the offer of \$260,000.00.

Density Bonus Policy Outside of the Downtown Core Area

Council has had a Density Bonus Policy for many years including in 2010 when the Speed Avenue and Frances Avenue Rezoning Application was first submitted. It has been Council's practice to require a land lift analysis for Rezoning Applications with densities above the current zoning and *Official Community Plan* policies since 2005. The land lift analysis approach ensures that a portion of the increased land value (75%) created by public policy is recommended in studies prepared for the City as best practice by land economists which is converted into amenities needed as a result of increased density. The remaining 25% is retained by the developer over and above a minimum 15% profit based on the developer's proforma. The land lift approach to establishing density bonus contributions was chosen to improve the consistency, fairness and transparency in applying the Density Bonus Policy. The Policy was incorporated into the *Downtown Core Area Plan* in 2011 and Sections 19.7 to 19.9 of the *Official Community Plan* in 2012.

In September 2013, Council held a workshop regarding Bonus Density & Amenities Outside the Downtown core. Following the workshop Council approved a motion to use density bonus outside the Downtown as a way of enhancing/accelerating community amenity development. In discussion, Council directed staff to analyse the feasibility of setting a fixed-rate Bonus Density amenity contribution.

In response to Council, Coriolis Consulting was retained to undertake a study. The consultant prepared the *City of Victoria: Density Bonus Policy Study for Sites Outside the Downtown Core* report (attached) with recommendations for a fixed-rate bonus density amenity contribution outside the Downtown Core Area. The report, presented to Council in July 2015, recommends a fixed-rate target of \$5.00 per square foot (53.82 per square metre) of bonus density for standard rezonings. However, for rezonings involving larger sites or those involving rezonings from industrial or institutional to residential or mixed use, such as the one at Speed Avenue and Frances Avenue, the land lift analysis approach is recommended.

Applicant Concerns

The concerns raised by the applicant's representative in his letter are largely related to the validity of Council having a bonus density policy outside the Downtown without having a formally adopted system for its implementation. An analysis or critique of the findings of the density bonus land lift

analysis prepared by G.P. Rollo & Associates is not provided but the amount is seen as not in keeping with Provincial guidelines regarding “modest contributions”. The benefits of the project, as seen by the applicant, are cited (including future tax revenues for the City) as well as what are viewed as extra-ordinary costs associated with its construction. In addition, the project is described as “high risk” with the amount of desired profit at 20% to 25% rather the standard profit of 15% in the proforma. A letter from Russ Reynolds of IPA International Property Appraisers Inc. is attached supporting the author’s conclusions regarding the project’s high risk, including its commercial component. The letter also notes the land lift approach to determining increased land value due to increased density is acceptable but is characterized as “highly subjective and it is recommended that it not be the only approach to value”.

ISSUES & ANALYSIS

In response to the concerns raised in the applicant’s representative’s letter and that of the appraiser, the following information and comment from staff is provided.

Appropriateness of Bonus Density Policy and Amenity Contributions Outside Downtown

Zoning for amenities and affordable housing is not limited to Downtown and can occur throughout the city as appropriate. Council has approved the use of density bonus outside the Downtown to assist in the provision of amenities required when applications for densities above established limits are received. These amenity contributions are conditional on the applicant choosing to utilize the option of higher “bonus” density in a zone adopted for the development.

The Province’s *Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability* published in 2014 provides information and guidelines for municipalities employing density bonus and community amenity contributions. The guide notes that principles of “nexus” and “proportionality” should be applied such that amenities are directly linked to a developments impacts and that the contribution is proportional to the impacts and consistent with contributions made by other applicants. The guide advises that amenity contributions should be commensurate with the levels of housing density, noting “modest” levels of housing density warrant “modest” targets for community amenity contributions. However, what is considered “modest” in terms of density and contributions is not specified. The guide also notes that nexus and proportionality are intended to apply in general and there is a need “to consider unique circumstances of particular neighbourhoods and particular developments”.

With regard to the Speed Avenue and Frances Avenue Rezoning Application (and requested Official Community Plan Amendment), the proposal is not anticipated by policy in this area of the City. The proposed residential use is in what is now a largely a commercial and light industrial area. In addition, the proposed density is well above what is currently envisaged in the *Official Community Plan* and neighbourhood plan. The proposed development would double the residential density currently envisaged on the Speed Avenue portion of the development site resulting in an additional 200 or more residents. These residents would significantly increase the need and demands for public facilities and spaces, community recreation and other public investments, including affordable housing in what would become an expanded Mayfair Town Centre. Currently, this area is particularly lacking in residential amenities and the amount of the bonus density contribution would assist with, but not cover, the costs of their provision. The applicant’s representative compares the per unit costs of community amenity contributions in Saanich with per unit costs based on the density bonus land lift analysis for this project but does not factor in the largely residential character of Saanich in contrast to the largely light industrial/commercial area surrounding the proposed development site.

Appropriateness of the Density Bonus Amenity Contribution Land Lift Analysis

The *City of Victoria: Density Bonus Policy Study for Sites Outside the Downtown Core* report prepared by Coriolis Consulting Corp. recommends a fixed rate target for standard rezonings and retention of the land lift analysis approach for larger sites and those projects, such as Speed Avenue and Frances Avenue, which require amendments to *Official Community Plan* Urban Place Designations. This is due to the mix of uses, heights, density, on-site servicing and infrastructure requirements associated with these types of projects.

The land lift approach does provide a consistent, transparent and fair methodology for establishing the amount of density bonus amenity contribution a project can provide and remain profitable. A negotiation of the contribution based on this enables consideration of varying circumstances where warranted and demonstrated by the applicant. Many of these, such as extra-ordinary construction costs or public amenities, are incorporated in the analysis or deducted from the contribution amount afterwards. In the case of the Speed Avenue and Frances Avenue Application, the extra construction costs related to soil conditions were incorporated into the analysis. In addition, the economic consultant reduced the maximum amount of commercial space used in the analysis due to market conditions.

Recent examples of projects outside the Downtown where the land lift analysis approach has been used to establish density bonus amenity contributions are provided in a table attached to this report. Density bonus amenity contributions provided by the applicants for all but one of these projects* have been at 75% or more of the land lift value and have been used for a variety of on-site and off-site amenities as well as cash-in-lieu for amenities such as walkways and affordable housing. The applicant has not directly disputed the amount of the land lift resulting from the land lift analysis or provided a strong rationale for a reduction in the density bonus amenity contribution. Rather, the applicant is questioning the proportion of the land lift that should be paid.

While the Coriolis report on bonus density amenity contribution policy does not recommend the use of a fixed-rate approach for projects such as Speed Avenue and Frances Avenue, if the fixed rate recommend in the report were applied, the amount of the density bonus amenity contribution would be \$540,000.00.

Benefits of the Project

The applicant has listed a number of features of the project and benefits that will result from its approval. In examining this list, it should be noted that the proposed pedestrian access from Speed Avenue to Frances Avenue was seen as a positive feature of the project by City staff that would have to be legally secured. Similarly, the proposed commercial space was seen by staff as in keeping with the existing OCP Urban Place Designation. Both the walkway and commercial space were shown in the initial proposal, which was submitted to the City without a pre-meeting with staff or staff input and encouragement. It should also be noted that the proposed strata apartments, whether rented or sold, are market units not affordable units subject to a Housing Agreement securing below market sale prices or below market rental rates.

*The rezoning application at 1101 Fort Street was exempted from undertaking a density bonus land lift by Council at its meeting on September 12, 2013. In a memo and a Request to Address Council the applicant stated the density bonus amenity contribution policy was not made clear during the staff review of the application and that the policy was lacking in the Official Community Plan.

OPTIONS & IMPACTS

The following options are provided for Council's consideration:

Option 1- Confirm the Density Bonus Amenity Contribution as outlined in the G.P. Rollo & Associates Land Lift Analysis Report [Recommended]

Option 1 is consistent with the *City of Victoria: Density Bonus Policy Study for Sites Outside the Downtown Core* report prepared by Coriolis Consulting Corp. on the bonus density amenity contribution policy for large projects outside the Downtown. It is also in keeping with past and current practices in securing density bonus amenity contributions for off-setting density impacts of additional density approved in other projects outside the Downtown. The amount of the density bonus amenity contribution is commensurate with the value of the land lift and would assist in the provision of infrastructure and amenities (including cash-in-lieu for affordable housing) required for a significant increase in residents in what is currently a light industrial/commercial area of the neighbourhood.

Option 2- Agree to the Density Bonus Amenity Contribution Offered by the Applicant

Option 2 would result in a significantly reduced density bonus amenity contribution with reduced assistance for the provision of public facilities and other public investments, including affordable housing, in what would become an expanded Mayfair Town Centre. This Option would be inconsistent with current practices and the bonus density amenity contributions provided by other applicants for projects outside of the Downtown. The fairness of a reduced contribution could be questioned by other applicants who have contributed 75% of the land lift value. Future negotiations for density bonus amenity contributions on other sites in the City may be affected.

Option 3 - Agree to a Density Bonus Amenity Contribution Based on the G.P& Rollo & Associates Land Lift Analysis Report but with a Reduced Percent of Land Lift Value

Option 3 may result in a significantly reduced density bonus amenity contribution and may not satisfy the applicant if the contribution amount is above what is currently offered. An amount less than recovery of 75% of the land value increase without the provision of further analysis and rationale by the applicant would not be in keeping with best practices or the public interest. The fairness of a reduced contribution could be questioned by other applicants who have contributed 75% of the land lift value. Future negotiations for density bonus amenity contributions on other sites in the City may be affected.

CONCLUSIONS

The *City of Victoria: Density Bonus Policy Study for Sites Outside the Downtown Core* report on bonus density amenity contribution policy outside the Downtown recommends retention of the land lift analysis approach for larger sites and those projects, such as Speed Avenue and Frances Avenue, requiring amendments to the *Official Community Plan* Urban Place Designations. This is due to the mix of uses, base density contributions and development costs associated with these types of projects. The land lift approach provides a consistent, transparent and fair methodology for establishing the amount of additional land value created through public policy and associated density bonus amenity contribution a project can provide and remain profitable. A negotiation of the contribution based on this enables consideration of varying circumstances where warranted and demonstrated by the applicant.

The applicant has not directly disputed the amount of the land lift resulting from the land lift analysis or provided a strong rationale for a reduction in the density bonus amenity contribution. Rather, the applicant is questioning the proportion of the land lift that should be paid. The concerns expressed are largely related to the validity of Council having a bonus density policy outside the Downtown without having a formally adopted system for its implementation. However, provincial legislation enables Council to establish a density bonus policy throughout the City.

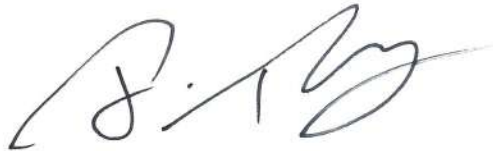
With regard to the land lift analysis, a contribution of 75% of the increased land value to the City by the applicant would be commensurate (though not fully investigated) with the costs of their provision for public facilities and spaces, community recreation and other public investments required to support an increase in residents in this location. This is because the proposed residential use is in what is now a largely commercial and light industrial area particularly lacking in residential amenities.

For density bonus Rezoning Applications outside the Downtown, Council has consistently (with one recent exception) received density bonus amenity contributions at 75% or more of the land lift value. These contributions have been used for a variety of on-site and off-site amenities as well as cash-in-lieu for amenities such as walkways and affordable housing. A departure from this level of density contribution for this large project with a large lift in land value would be inconsistent with current practices and the contributions received from other applicants who have had density bonus Rezoning Applications approved outside the Downtown.

Respectfully submitted,



Brian Sikstrom
Senior Planner
Development Services



Jonathan Tinney, Director
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager:



Date: Feb. 18, 2016

List of Attachments

- Minutes from the Planning and Land Use Committee of October 29, 2016
- Minutes from the City Council meeting of October 29, 2016
- Letter dated January 10, 2016, from Strongitharm Consulting Ltd.
- Table: Projects Outside Downtown with Density Bonus and Land Lift Analyses
- Letter dated September 12, 2013, from G.P. Rollo & Associates outlining the density bonus amenity contribution analysis
- *City of Victoria: Density Bonus Policy Study for Sites Outside the Downtown Core Report, March 5, 2015*

REPORTS OF THE COMMITTEE

3. Planning and Land Use Committee – October 29, 2015

1. Rezoning Application No. 00301 and Development Permit Application No. 000302 for 605-629 Speed Avenue and 606-618 Francis Avenue - Update

It was moved by Councillor Coleman, seconded by Councillor Thornton-Joe, that Council consider the following updated motion related to consultation requirements pertaining to the proposed Official Community Plan Amendment, the Development Permit Application and the community amenity contribution:

1. That Council consider giving first reading to the Official Community Plan Amendment Bylaw, 2012, Amendment Bylaw (No. 14).
2. That Council consider the Official Community Plan Amendment Bylaw, 202, Amendment Bylaw (No. 14) in conjunction with the *City of Victoria 2014 Financial Plan* and the *Capital Regional District Liquid Waste Management Plan* pursuant to Section 882(3) (a) of the *Local Government Act* and deem those plans to be consistent with the proposed Official Community Plan Amendment Bylaw.
 - a. That Council determine pursuant to Section 879(1) of the *Local Government Act*, that the affected persons, organizations and authorities are those property owners and occupiers with 200m of the subject properties and determine that the appropriate consultation measures would include a mailed notice of the proposed OCP Amendment to the affected persons; posting of a notice on the City's website inviting affected persons, organizations and authorities to ask questions of staff and provide written or verbal comments for their consideration;
 - b. That Council determine pursuant to Section 879(2)(a) of the *Local Government Act*, that having regard to the holding of the previous Community Association Land Use Committee (CALUC) Community Meeting, the consultation proposed at this stage is an adequate opportunity for consultation;
 - c. That Council consider consultation under Section 879(2) of the *Local Government Act* and determine that no referrals are necessary with the Capital Regional District Board, Councils of Oak Bay, Esquimalt and Saanich, the Songhees and Esquimalt First Nations, the School District Board, and the provincial and federal governments and their agencies due to the site specific nature of the proposed amendment;
 - d. That Council consider giving second reading to the Official Community Plan Amendment Bylaw, 2012, Amendment Bylaw (No. 14);
 - e. That Council consider referring the Official Community Plan Amendment Bylaw, 2012, Amendment Bylaw (No. 14) for consideration at a Public Hearing;
 - f. That Council consider giving first and second reading to the Zoning Regulation Bylaw, Amendment Bylaw (No. 1036);
 - g. That Council consider referring Zoning Regulation Bylaw, Amendment Bylaw (No. 1036) for consideration at a Public Hearing.
3. Following the Public Hearing and subject to the adoption of the OCP and Zoning Regulation Bylaw Amendments for 605-629 Speed Avenue and 606-618 Frances Avenue, that Council consider the following motions:

"That Council authorize the issuance of Development Permit Application No. 000302 in accordance with:

 - a. Plans date stamped July 8, 2013.
 - b. Development meeting all Zoning Regulation Bylaw requirements.
 - c. The Development Permit lapsing two years from the date of this resolution."
4. That Council endorse the recommendations in the community amenity contribution analysis dated September 13, 2013, and that the monetary contribution be split equally between the Victoria Housing Fund and neighbourhood amenities within the Burnside-Gorge neighbourhood.

Carried Unanimously

3. Planning and Land Use Committee – October 29, 2015

1. Rezoning Application No. 00301 and Development Permit Application No. 000302 for 605-629 Speed Avenue and 606-618 Francis Avenue - Update

It was moved by Councillor Coleman, seconded by Councillor Thornton-Joe, that Council consider the following updated motion related to consultation requirements pertaining to the proposed Official Community Plan Amendment, the Development Permit Application and the community amenity contribution:

1. That Council consider giving first reading to the Official Community Plan Amendment Bylaw, 2012, Amendment Bylaw (No. 14).
2. That Council consider the Official Community Plan Amendment Bylaw, 2012, Amendment Bylaw (No. 14) in conjunction with the *City of Victoria 2014 Financial Plan* and the *Capital Regional District Liquid Waste Management Plan* pursuant to Section 882(3)(a) of the *Local Government Act* and deem those plans to be consistent with the proposed Official Community Plan Amendment Bylaw.
 - a. That Council determine pursuant to Section 879(1) of the *Local Government Act*, that the affected persons, organizations and authorities are those property owners and occupiers with 200m of the subject properties and determine that the appropriate consultation measures would include a mailed notice of the proposed OCP Amendment to the affected persons; posting of a notice on the City's website inviting affected persons, organizations and authorities to ask questions of staff and provide written or verbal comments for their consideration;
 - b. That Council determine pursuant to Section 879(2)(a) of the *Local Government Act*, that having regard to the holding of the previous Community Association Land Use Committee (CALUC) Community Meeting, the consultation proposed at this stage is an adequate opportunity for consultation;
 - c. That Council consider consultation under Section 879(2) of the *Local Government Act* and determine that no referrals are necessary with the Capital Regional District Board, Councils of Oak Bay, Esquimalt and Saanich, the Songhees and Esquimalt First Nations, the School District Board, and the provincial and federal governments and their agencies due to the site specific nature of the proposed amendment;
 - d. That Council consider giving second reading to the Official Community Plan Amendment Bylaw, 2012, Amendment Bylaw (No. 14);
 - e. That Council consider referring the Official Community Plan Amendment Bylaw, 2012, Amendment Bylaw (No. 14) for consideration at a Public Hearing;
 - f. That Council consider giving first and second reading to the Zoning Regulation Bylaw, Amendment Bylaw (No. 1036);
 - g. That Council consider referring Zoning Regulation Bylaw, Amendment Bylaw (No. 1036) for consideration at a Public Hearing.
3. Following the Public Hearing and subject to the adoption of the OCP and Zoning Regulation Bylaw Amendments for 605-629 Speed Avenue and 606-618 Frances Avenue, that Council consider the following motions:

"That Council authorize the issuance of Development Permit Application No. 000302 in accordance with:

 - a. Plans date stamped July 8, 2013.
 - b. Development meeting all Zoning Regulation Bylaw requirements.
 - c. The Development Permit lapsing two years from the date of this resolution."
4. That Council endorse the recommendations in the community amenity contribution analysis dated September 13, 2013, and that the monetary contribution be split equally between the Victoria Housing Fund and neighbourhood amenities within the Burnside-Gorge neighbourhood.

Carried Unanimously

Council minute
October 29, 2015



STRONGITHARM CONSULTING LTD.

January 10, 2016

Mayor Helps and Council
City of Victoria
1 Centennial Square
Victoria BC V8W 1P6

**RE: Speed and Frances Avenue Proposed Development – Community Amenity Contribution
Recommendations – Land-Use Application No. 00302**

Dear Mayor Helps and Council:

Further to Council's Oct 29th/15 Planning and Land-Use Committee meeting and an invitation for the applicant to address Council on the matter related to the Community Amenity Contribution for the 605-26 Speed Street and 606-18 Frances St. application, we are pleased to provide the following explanation and look forward to the opportunity addressing the matter with you. This is an important project strategically located that has been in the development stages since 2011. We apologize in advance for the length of this letter but thank you in advance for your full consideration of this response.

On behalf of Oakwood Parks Estate Ltd. (the land owner), the writer has been asked to review the above captioned application and provide comments to Mayor and Council on the merits of the staff recommendation (report to PLUC dated Oct 14th, 2015) for a Community Amenity Contribution (CAC). The recommendation was based on a land lift approach, and resulted in a suggested amount of \$975,000 cash for the project located at 605 - 609 Speed Avenue and 606 - 618 Frances Avenue.

At the meeting Council where considered the staff report, it invited the applicant to respond to the cost of the amenity contribution recommended.

The writer has been involved in CAC discussions and negotiations in several municipalities including reviewing what is done throughout the Capital Region. In preparing this letter, the writer met with City Planning Staff, who have been most accommodating; communicated with the firm retained by the City to conduct the land lift analysis; and, met with a local land economist and appraiser regarding the attributes and drawbacks of the proposed development from an economic perspective and how that may affect a reasonable value.

Background

Local governments generally follow one of two approaches to amenity contributions as it relates to rezoning. They are:

1. A density bonus system that is typically articulated in the Official Community Plan (OCP) and defines how the bonusing system is applied and what is expected of the developer should greater floor space be requested; and/or,
2. A voluntary and negotiated arrangement between the developer and local government.

While the City has used both approaches, it has articulated policy around the bonus density approach in the Central Area Plan.

The Provincial Ministry of Community, Sport, and Cultural Development has prepared guidelines (March 2014) for local governments that state, *"Local governments do not have the legal authority to require applicants for rezoning to pay CACs"*. In other words, an amenity contribution cannot be used as the rational or condition precedent for a development, but rather the development must stand on its own merits. The guidelines further recommend that: *"CACs take place at a modest level."* The same guide recommends that, when adopting a policy or negotiating amenities, local governments consider the following strategies:

1. *"Use modest levels of density housing tied to modest contributions."*
2. *"Set modest targets for community amenity contributions to be negotiated at time of rezoning."*
3. *"Negotiating CACs based on a 'lift' approach is inconsistent with the principles set out in this guide, and is the approach most likely to reduce the supply of developable land and housing, thereby contributing to higher housing costs."*

Notwithstanding the recommendations of the Province, many municipalities particularly in the Lower Mainland, have utilized a land lift approach. In Greater Victoria however the "land lift" approach is not the way most municipalities approach amenity contributions. Most are either silent on the matter, or negotiate an amenity contribution on a unit basis. In the District of Saanich, for example, a recent planning report (April 2015) remarked that amenity contributions in the municipality has been in the range of \$1,000 to \$1,500 per residential unit.

The City has, in its OCP for the Core Area, adopted a density bonusing system. The same does not exist elsewhere in the City, although at its September 26, 2013 meeting Council resolved that, *"Council use Bonus Density outside the downtown as a way of enhancing community amenity development,"* and instructed staff to undertake background work in this regard. Design work related to the Speed/Frances Ave project started more than 2 years prior to the 2013 resolution of Council.

It is further noted that in the Core Area Plan the land lift taken by the City ranges from 25% to 75% depending on the area.

On the basis of Council's Sept. 16th motion, it is the writer's understanding that:

1. There currently is no adopted Council policy that speaks to the application of land lift CACs outside the Core Area;
2. Additional work is currently being undertaken and Council recently received an update report from staff;

3. The City has, based on “past practice”, undertaken land lift analysis on some (but not all) projects outside the Downtown Core where the density has been increased; and,
 4. The proportion of the land lift contributed to the City has varied and has not been universally 75%.
-

The writer further notes that The Mayor’s Task Force on Housing Affordability identified two key goals: (a) increase the City’s capacity to support development of affordable housing; and, (b) to remove barriers to the development of more affordable housing options. It would not seem much of a stretch to argue that CACs approaching \$1,000,000, which is more than \$5,500/unit, could well be a barrier to “the development of more affordable housing options”.

Concerns with the Land Lift Approach of Recommending CACs for Speed and Frances Development

The staff report has recommended the developer make a cash contribution of \$975,000, stating that Council’s current practice for properties outside the Downtown Core is to recover 75% of the land lift, and goes on to say, *“in the absence of public amenities identified by the City it is recommended ... that the monetary contribution (of \$975,000) be made to the Victoria Housing Trust Fund.”*

While the applicant is prepared and has offered to contribute a lesser amount to the Housing Trust Fund, the following rationale is offered as to why the applicant believes the proposed amenity quantum is too much:

1. Council has not adopted a policy with respect to the Community Amenity Contribution outside the Core Area, but rather, has from time to time applied it as a “practice”;
2. The City has accepted a range in land lift quantum and has also accepted a wide range of non-cash amenities that are often associated with the project and the extent to which those amenities not only benefit the community but the development as well is open to interpretation;
3. The land lift approach, while sophisticated, is based on many, many variables and assumptions. It is not an exact science as real estate is dynamic and constantly changing. The difference of one point on a capitalization rate can, for example, significantly alter the rate of return of a project;
4. The proposed development represents an estimated \$52,000,000 investment, with all its associated direct and indirect economic benefits, in a mixed-use building located along the Upper Douglas Street Corridor the street across from Mayfair Town Centre. It is situated in a place where the City is encouraging growth and targeting higher density development that can support public transit objectives. The proposed development is likely the most significant capital investment in the area since Mayfair Town Centre and will act as a catalyst for future reinvestment in the area. Property taxes are estimated at \$385,000/year based on current tax rates;

5. The development calls for two towers with family oriented townhouses fronting onto Speed Street. It has a pleasing brick and panel exterior treatment as well as green roofs on the townhouse. In the writer's opinion, it is more appealing due to a more expensive cladding than painted concrete that has been accepted in other high-rise projects. The site planning includes pedestrian access from Speed through to Frances, an amenity strongly encouraged by City Staff. A covenant, requiring that the pedestrian passageway between the two streets be installed and maintained has been registered on Title. Considerable design care has also gone into the conservation of the Lombard Plane trees on Speed Ave.;
6. As it is located in an area designated in the OCP for employment, the design includes 26,000 f² of service commercial space;
7. Although the building will be strata titled, the business case is based on affordable housing units and bringing in a residential product at a retail cost in the range of \$425 f². The largest target market is young home purchasers who could walk or bike to downtown. Prices must be less than the core area. The owner worries that excessive fees will jeopardize affordability and impact the business model;
8. A covenant registered on the Title requires that every unit can be rented (and cannot be restricted by a future strata council bylaw), that sewer attenuation tanks be installed, and that the public access referred above is provided and maintained;
9. The property is located in a gradient low point in the neighbourhood that presents some very challenging and expensive site conditions and servicing requirements, particularly with some 203 parking stalls located underground;
10. This neighbourhood is in an area in transition. It is a very significant and high-risk investment. The economic modeling of risk rates is such that a 5% change in the risk rate (developers profit) will push down the land value;
11. While the land lift analysis is comprehensively done and follows a standardized methodology, certain elements of this analysis can be questioned, not the least of which is the cost of site preparation and underground parking. The formula in the land lift analysis applies cost rates, for example, that are lower than the prescribed fees established by the RAIC (architect institute). The capitalization, risk rates, developer's risk, and profit applied can also be debated, given the elements of this project;
12. The OCP designation identifies the area as a "General Employment" area, and the applicant was encouraged to incorporate a sizeable amount of commercial/service commercial floor space in the building (26,000 f²), although the economics of the commercial space is uncertain and is more commercial space than might otherwise be designed. (please see attached letter);
13. Attached to this letter is a correspondence between the writer and Mr. Russ Reynolds, president of International Portfolio Appraisers Inc. (IPA), who is a qualified land economist and appraiser. The writer posed four questions to him. A summary of his responses are:

- a. The proposed project is high-risk... and riskier than other projects;
- b. Given the risk, the developer's profit and risk should be 20 - 25%, but the land lift report undertaken used 15%; The commercial space in the project is viewed as being a liability rather than a positive cash flow contributor; and,
- c. The Land Residual Approach, while an accepted practice, is based on many variable inputs that are open to debate.

Conclusion

The owners are not opposed to a contribution to the City's Housing Trust Fund and has already proposed a cash contribution of \$200,000. However, we believe that for the circumstances summarized above, a cash contribution of \$975,000 is disproportionate to the project and business case objectives and could be considered punitive. There are elements of the land lift analysis used to determine that quantum that can be questioned, but in the interest of moving the project forward to a public hearing we believe there is a fair and reasonable solution.

The City has an accepted range of between 25% and 75% of the land lift value. There is precedent for Council accepting a 25% proportion. In this circumstance, we believe a 25% rate is an appropriate allocation, which would amount to three hundred thirty-five thousand dollars (\$335,000) based on the land lift analysis that was earlier prepared. Additionally the project does provide amenities that serve the community and could be reasonably considered as non-cash amenities. The direct construction cost for the walkway is estimated at \$75,000 (plus ongoing maintenance and property taxes) and submit that should be deducted from the total contribution, with the balance (\$260,000) cash contribution to the City's Housing Trust Fund.

Given the circumstances and context of the project as described above, we believe that the proposed contribution is both fair and reasonable. On behalf of Oakwood Park Estates, we would like to thank Council for providing the opportunity to respond and look forward your consideration to this request.

Regards,



Deane Strongitharm, MCIP
Strongitharm Consulting Ltd.

cc: Oakwood Parks Estates, Ltd., Attn: Mr. Brian Martin
Jonathan Tinney, Director of Planning and Community Development

Attach.



November 27, 2015

Mr. Deane Strongitharm
City Consulting Ltd.
5th Floor – 844 Courtney Street
Victoria, B.C.
V8W 1C4

Dear Mr. Strongitharm,

Re: Proposed Speed/Francis Street Development – Density Bonus

Pursuant to your request, I have examined your 4 questions and I have prepared the following responses:

1. *What is the level of project risk considering the project size and location (area in transition)?*

Relative to almost any other multi-family development in the City of Victoria, I see the Speed Street development as maximum risk. The Subject property's location, from a multi-family development perspective is largely untested; thus, demand is unknown, uncertain and risky. Size increases the risk as greater supply equals the need for greater demand.

2. *If a typical developer's profit within the City of Victoria is 15%, what is your opinion of the appropriate level of developer's profit for the proposed development?*

There can be little debate that the Subject's location requires a developer's risk premium above a typical developer's profit. In my opinion, a further risk premium of 5% - 10% is warranted, resulting in the appropriate developer's profit being between 20.0% and 25.0%.

3. *The current plan encourages the development of more than 25,000 sf of commercial uses. In your opinion, how does the requirement to provide commercial uses affect value?*



-2-

In this location, any requirement to provide commercial uses represents an uneconomic and infeasible utility of the lands. Commercial/retail use requirements on the main level will result in the development being: less profitable, riskier, and burdensome to the developer.

4. *As an accredited real estate appraiser, is the proposed valuation method (residual development approach), the most appropriate approach to value?*

The proposed density bonus analysis is predicated on the valuator estimating the market value of the development as though complete and then deducting all associated costs of said development in order to estimate the underlying residual land value. This approach is acceptable in accordance with CUSPAP (Canadian Uniform Standards of Professional Appraisal Practice); however, it is highly subjective and it is recommended that it not be the only approach to value. The value determined by this approach is likely based on dozens of assumptions and subjective judgements.

Please advise if you would like us to complete a full analysis in preparation for formal presentation.

Thank you for your attention on this matter.

Respectfully submitted,
IPA International Property Appraisers Inc.

Russ Reynolds, MBA, AACI, P.App, MAI, MRICS, RI(BC), PLE, MIMA, ASA
President

1-866-382-6242 (T)
1-866-231-7078 (F)

Recent Projects Outside Downtown with Density Bonus and Land Lift Analyses

Project	Increase in Land Value due to Increased Density (Lift Amount)	Cash Contribution (with direction to a number of City funded projects)	Contribution for on-site or nearby amenities	Total Value of Contribution/ Percentage of Land Lift Amount	Neighbourhood	Year
212-220 Cook and 1041 - Oliphant	\$228,000.00 – \$199,000.00 depending on length of market rental tenure	\$171,000.00 – \$149,000.00		\$171,000.00 – \$149,000.00/ 75% depending on length of market rental tenure	Fairfield	2016
1521- 1531 Elford	\$44,101.3	\$33,076.00	N/A	\$33,076.00/ 75%	Fernwood	2014
1030 - McClure	\$129,000.00	\$96,978.00	N/A	\$96,978.00/ 75%	Fairfield	2014
257 Belleville	\$720,000.00	\$312,000.00	Harbour pathway improvements and plaza	507,000.00/ 70%	James Bay	2013/15
521- Superior (Capital Park)	\$567,400.00	\$118,000.00	Public Plaza and Public Art	\$425,000.00/ 75%	James Bay	2013
80 – Saghalie (Bayview)	\$500,000.00	\$375,000.00 if development is for strata apartments rather than seniors housing	N/A	\$375,000.00/ 75% if development is for strata apartments rather than seniors housing	Vic West	2013
605-629 Speed and 606-618 Frances	\$1,300,000.00	\$975,000.00	N/A	975,000.00/ 75%	Burnside/ Gorge	2013
1101 Fort	Council Motion to not require a land lift analysis was passed				Fairfield	2013

LAND ECONOMISTS — DEVELOPMENT STRATEGISTS

September 13th, 2013

Brian Sikstrom
Senior Planner – Planning and Development
City of Victoria
1 Centennial Square
Victoria, BC, V8W 1P6

Re: Speed and Frances Amenity Contribution Analysis

G.P. Rollo & Associates (GPRA) has been retained by the City of Victoria to complete an Amenity Contribution Analysis for the rezoning of 605, 607, 609, 615, and 629 Speed Avenue and 606, 612, and 618 Frances Avenue (hereafter referred to as 'the Site') in order to determine an estimate of potential fees that could be collected for public amenities from the lift in land values created from rezoning the Site.

Specifically, GPRA has been retained to determine the potential lift in land value from a rezoning of the Site from the current R1-B and R1-SLVH zones with the development rights for single family dwellings (along with vehicle storage, sales, and rentals on the parcel designated R1-SLVH) to a new zone that would allow for development up to 3.073 FSR for a mix of residential strata apartments, rental apartments, and ground level commercial uses. In addition the City has requested that GPRA report on the lift in land value both from the OCP designation for the Site as a mix of 1.2 FSR Urban Residential on the Speed Avenue properties and 2 FSR General Employment on the Frances Avenue properties.

The analysis consisted of preparation of residual land value analyses which determines the maximum value that a developer could afford to pay for the site assuming it already had the new zoning under current market conditions. 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 current zoning and the proposed new zoning.

GPRA conducted analyses for the Site under the proposed new zoning and under the OCP designation, while relying upon BC Assessment data for the value of the Site under current zoning.

METHODOLOGY & ASSUMPTIONS

The Site is 5,349.4 square metres in area and can be developed under existing zoning for single family dwellings for the entire Site and vehicle storage, sales and rentals on 612 and 618 Frances only. Proposed new zoning would see 16,436 square metres of GBA, comprised of 6,844 square metres of strata apartments, 1,127 square metres of ground oriented strata townhouses, 6,043 square metres of rental apartments, and 2,423 square metres of ground floor commercial retail space. It has been assumed that all rental space would be offered at market rates. Should there be a rental agreement placed on the rental properties that reduces the rental rates below market the analysis should be revised accordingly.

The analysis using the OCP as the starting point allows for 4,026 square metres of strata apartments (based on a 1.2 FSR) on the Speed Avenue properties and up to 3,982 square metres (up to 2 FSR) of commercial on the Frances Avenue properties. However, it is GPRA's opinion that the market will not support development of 2.0 FSR of commercial on the Site and that doing so would negatively impact the value of the Site. As such, GPRA has also prepared analysis wherein only 955 square metres of ground floor retail was developed, which we feel would be much more marketable.

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. However, a rental/commercial project is more typically measured for viability based on an Internal Rate of Return (IRR) to account for the ongoing cash flows from the rental component of the development.

For a residual land valuation, however, an assumption on developer's return needs to be included in order to leave the land value as the variable to solve for. For these analyses GPRA has determined the residual value based on the developer achieving an acceptable profit of 15% on total strata project costs (calculated as a representative portion of overall project costs for the proposed development) AND an acceptable IRR on the rental and commercial components of the project as a long-term investment (7% IRR was deemed appropriate for this analysis based on a blended rate derived from observed cap rates in the market for both components). The residual values are the maximum supported land value a developer could pay for the site (under the zoning tested) while achieving an acceptable return for their project.

The residual land value determined from this analysis is then compared to the value of the site under current zoning (as well as the residual value from the OCP analysis) to establish a 'lift' in value that arises from the change in zoning. 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. There have not been any significant off-site costs (such as major roadworks, traffic signals, sewer upgrades/extensions, etc.) identified by either the proponent or the City that would need to be provided by this development. Any such improvements that would be required only from the proposed rezoning would impact the lift. Any off-site improvements that would be required in all development scenarios would not affect the lift. 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.

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. 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. Revenues and operating cost assumptions for the market rental apartments and the commercial space have been derived from a review of the market and from other sources deemed reliable by GPRA.

CONCLUSIONS & RECOMMENDATIONS

As stated previously, this analysis has been predicated upon the understanding that the rental units would be generating revenue at full market rates. If a housing agreement is entered into with the City that reduces the rents this will subsequently reduce the lift on the parcel. Similarly, any added costs from redeveloping and rezoning the Site that have not been identified and included in this analysis that would only be incurred from rezoning as proposed rather than to the OCP designation would also reduce the lift on the Site from rezoning. GPRA identifies the lift on the Speed and Frances Site from rezoning as being roughly \$1,455,000 when using existing zoning as a starting value.

Were the Site developed as indicated under the OCP to establish the base value the lift would be \$1.79 million. However, this value is not an appropriate measure of lift in the opinion of GPRA as it is due to a diminished base land value that would be supported to develop 2 FSR of commercial on the Frances properties. As stated previously, there is not the market to support this amount of commercial on the Site, so it would be highly unlikely a developer would build this much commercial space. Furthermore, market rents for second and third storey commercial space would be roughly \$10 per square foot, triple net, which is far below the economic rents required to make development viable, which is why the base land value is significantly lower and the lift higher than the value as zoned.

GPRA believes that a much more likely scenario would be for a developer to build a typical 1 storey commercial building with surface parking on the Frances properties as indicated in the OCP designation. When using this option as a base for establishing the lift GPRA has estimated that the lift would be \$1.3 million.

It is our understanding that the City would be seeking 75% of the lift in value, which would be approximately \$1.1 million if the City uses existing zoning as the starting land value, \$1.34 million using the OCP as a base value with a developer building the full 2 FSR of commercial. However, as we have noted, it is GPRA's considered opinion that a developer would not build to the full 2 FSR allowable under the OCP given market conditions and as such the 75% lift based on a 1 storey commercial building would be \$974,250.

I trust that our work will be of use in the City's determination of the Amenity Contribution they will seek as part of rezoning Speed and Frances. I am available to discuss this further at your convenience.



Gerry Mulholland | Vice President
G.P. Rollo & Associates Ltd., Land Economists
T 604 277 1291 | M 778 772 8872 |
E gerrymul@telus.net | W www.rolloassociates.com

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

Draft
5 March 2015

Prepared for:
City of Victoria

By:
Coriolis Consulting Corp.

Table of Contents

Summary	i
1.0 Introduction.....	1
1.1 Background.....	1
1.2 Approach.....	1
1.3 Report Organization	2
1.4 Professional Disclaimer.....	2
2.0 Study Area.....	3
3.0 Overview of Density Bonusing and Amenity Contributions	4
3.1 Legislation.....	4
3.1.1 Density Bonus Zoning.....	4
3.1.2 Amenities Negotiated as Part of Rezoning	5
3.2 Different Approaches to Obtaining Amenity Contributions.....	6
3.3 Provincial Guide to CACs	7
3.4 Urban Land Economics Rationale	9
3.5 Target Fixed Rate CACs in Other Municipalities.....	11
3.5.1 Langford	11
3.5.2 Colwood	12
3.5.3 North Saanich	12
3.5.4 Saanich	12
3.5.5 Vancouver.....	12
3.5.6 New Westminster.....	15
3.5.7 District of North Vancouver	15
3.5.8 Richmond.....	16
3.5.9 West Vancouver.....	17
3.5.10 Summary.....	17
3.6 Implications.....	18
4.0 Comments from Victoria Developers.....	19
5.0 Case Study Financial Analysis	22

5.1	Urban Residential	23
5.2	Small Urban Village	23
5.3	Large Urban Village	24
5.4	Town Centre	24
5.5	Other Findings	25
5.6	Key Implications	25
6.0	Policy Alternatives to Consider	27
6.1	Identification of Policy Alternatives	27
6.2	Evaluation of Alternatives	27
7.0	Recommendations	30
7.1	Major Rezoning	30
7.2	Smaller Rezoning	30
7.3	Implementation	31
7.4	Monitoring	31
8.0	Other Issues	32
9.0	Attachments - Financial Analysis	33
9.1	Approach	33
9.2	Case Study Site Descriptions	35
9.3	Key Assumptions for Financial Analysis	36
9.3.1	Assumptions for Rezoning Scenarios	36
9.3.2	Property Assembly Assumptions	37
9.4	Summary of Results	40
9.5	Financial Analysis	42

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:
 - Rezoning of large sites (e.g., over one City block) that will require the dedication of part of the site for new roads and services.
 - Rezoning 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.
 - Rezoning 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 floorspace¹ 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.

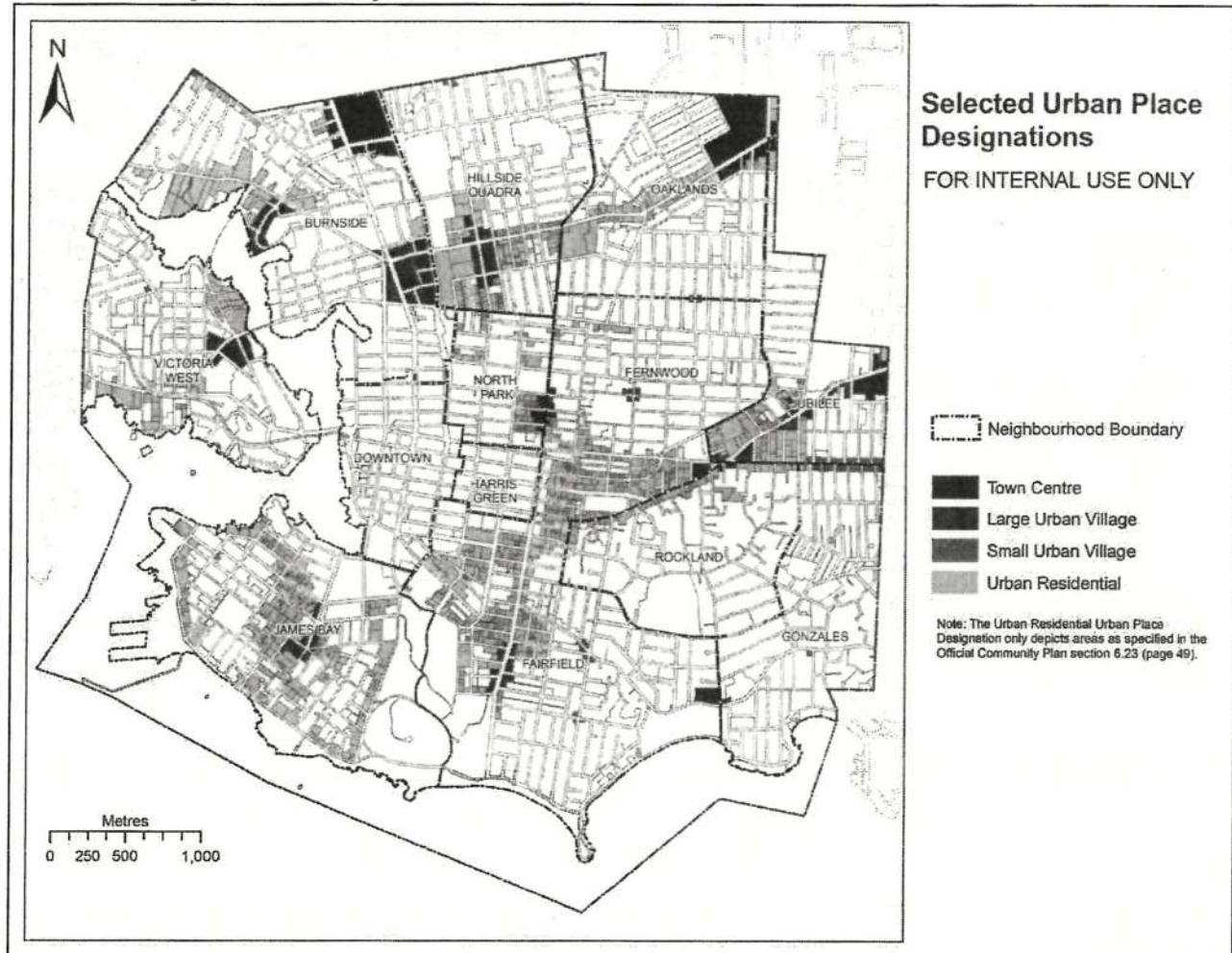
2.0 Study Area

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 Rezoning

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:
 - Rezoning of small sites,
 - Rezoning in defined geographic areas that have been identified for upzoning with specific guidelines for use, height and density.
 - Rezoning 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).

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 is 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

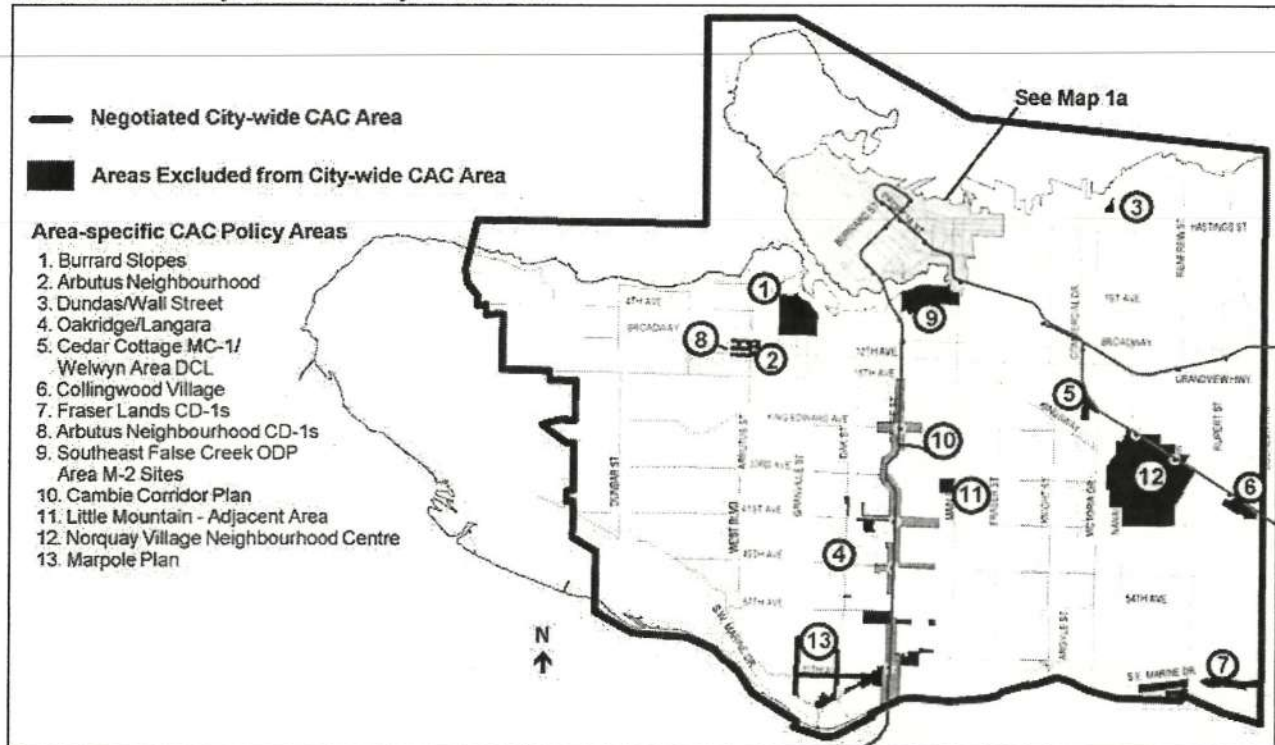
The City of Vancouver obtains amenity contributions from new projects that involve rezoning via site-by-site negotiations (for "non-standard" rezonings) and fixed rate target CACs (for "standard" rezonings and rezonings in some specific areas in the City). It also recently implemented density bonus zoning 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 Communities.** 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 foot⁹ 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 an 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 study¹⁰ 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 CAC¹¹.
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. Rezoning 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.
- Rezoning 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 maximum¹². 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 floorspace¹³ 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 foot¹⁴ 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 an 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 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 construction 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 TT'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				
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
Contingency on hard and soft costs	5.0%	of hard and soft costs		6 months
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 construction 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 TT'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 construction 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 construction 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 TT'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 construction 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 TTs		
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 construction 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 TTs			
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 construction 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 TIs		
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
Contingency on hard and soft costs	5.0%	of hard and soft costs		6 months
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 construction 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 construction 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