

---

Financial Analysis of Urban Development  
Opportunities in the Fairfield and Gonzales  
Communities, Victoria BC

Draft  
5 December 2016

Prepared for:  
City of Victoria

By:  
**coriolis**   
CONSULTING CORP.

---

# Table of Contents

<b>Summary</b> .....	<b>i</b>
<b>1.0 Introduction</b> .....	<b>1</b>
1.1 Background.....	1
1.2 Location of Neighbourhoods .....	2
1.3 Professional Disclaimer .....	2
<b>2.0 Redevelopment Scenarios Tested</b> .....	<b>4</b>
<b>3.0 Approach to Analysis</b> .....	<b>5</b>
<b>4.0 Key Assumptions</b> .....	<b>6</b>
4.1 Redevelopment Densities and Height by Project Type .....	6
4.2 Financial Assumptions .....	6
4.3 Property Assembly and Acquisition Assumptions.....	8
<b>5.0 Summary of Results</b> .....	<b>11</b>
5.1 Townhouse Development at Traditional Residential Sites .....	11
5.2 Townhouse or Apartment Development at Urban Residential Sites .....	12
5.3 Mixed-Use Development at Small Urban Village Sites .....	12
5.4 Mixed-Use Development at Large Urban Village Sites .....	13
5.5 Other Findings .....	14
<b>6.0 Implications for Planning</b> .....	<b>15</b>
6.1 Existing Older Single Family Homes in Fairfield or Gonzales.....	15
6.2 Existing Older Rental Apartment Buildings in Fairfield .....	15
6.3 Existing Low Density Commercial Properties in Fairfield .....	16
<b>7.0 Attachments</b> .....	<b>17</b>
7.1 Summary of Results.....	17
7.2 Financial Analysis .....	18

## Summary

The City of Victoria has initiated Neighbourhood Area planning processes for the adjacent communities of Fairfield and Gonzales.

There are several factors which influence the selection of land uses, heights and appropriate densities for development including community acceptance, existing community character, urban design objectives, transportation requirements, servicing capacity, and the general ability of the area to absorb new population and employment. However, a key consideration is the mix of uses and the density of new development that is needed to make redevelopment of existing properties financially viable.

As one input to the neighbourhood planning, the City’s planning team wants to understand the financial viability of different types of development projects and the amount of density that likely needs to be approved to stimulate redevelopment in locations that are desirable for intensification from a planning perspective. Therefore, the City retained Coriolis Consulting Corp. to analyze the financial viability of specific types of redevelopment projects in each neighbourhood and identify the planning implications.

## Types of Redevelopment Scenarios Analyzed

The Official Community Plan (OCP) currently designates parts of Fairfield for apartment and mixed-use development. These properties are currently designated Urban Residential, Small Urban Village or Large Urban Village in the OCP. The City wants to understand whether apartment and mixed-use development is financially viable at densities up to the maximum permitted under the existing OCP designations.

The City is also interested in understanding the viability of building ground oriented multifamily housing (townhouse) in some of the existing single family areas in Fairfield and Gonzales that are currently designated Traditional Residential.

Therefore, our analysis examines the financial viability of townhouse development, strata apartment development and mixed-use commercial and strata apartment development in Fairfield and Gonzales.

Exhibit A summarizes the different types of redevelopment opportunities that we analyzed organized by assumed redevelopment scenario, existing OCP designation, existing zoning, and existing use.

Exhibit A: Summary of Redevelopment Scenarios Tested

Redevelopment Scenario	OCP Designation	Current Zoning	Current Use
Townhouse up to 1.0 FSR	Traditional Residential	Single Family	Older Single Family Houses
4 Storey Apartment up to 2.0 FSR	Urban Residential	Single Family	Older Single Family Houses
4 Storey Apartment up to 2.0 FSR	Urban Residential	Multifamily Residential	Older Rental Apartment Buildings
4 Storey Mixed-Use Retail and Apartment up to 2.0 FSR	Small Urban Village	Commercial	Older Low Density Commercial
6 Storey Mixed-Use Retail and Apartment up to 2.5 FSR	Large Urban Village	Commercial or Multifamily Residential	Older Low Density Commercial or Older Rental Apartment Buildings

Because market conditions are very similar in Fairfield and Gonzales, the results of our analysis can be applied to properties in either neighbourhood.

## Approach to Financial Viability Analysis

For redevelopment to be financially attractive, the land value supported by the proposed uses, densities, and form of redevelopment must equal (or exceed) the property value supported by its existing use. If the existing use supports a higher value, then there is no financial incentive to demolish the existing buildings and redevelop.

To determine if rezoning and redevelopment in the planning areas is likely to be financially attractive to developers, our financial analysis compares the estimated property value of a sample of case study sites under existing use and zoning with the estimated land value supported by a range of hypothetical rezoning and redevelopment scenarios. If the redevelopment scenario supports a higher land value than the value of the existing use, redevelopment is financially viable.

## Key Findings and Implications for Planning

The key findings of our financial analysis by type of existing property are shown in Exhibit B. The implications for planning are summarized in the following sections.

### Exhibit B: Summary of Financial Analysis by Type of Existing Property

Existing Use	OCP Designation	Assumed Redevelopment Type	Assumed Density (FSR)	Financially Viable	Comments
Older Single Family Homes	Traditional Residential	Townhouse	1.0	Possibly	Only viable on larger existing single family lots
Older Single Family Homes	Urban Residential	4 Storey Apartment	2.0	Yes	Viable in the range of 1.8 to 2.0 FSR
Older Rental Apartment Buildings	Urban Residential	4 Storey Apartment	2.0	No	Only very low density existing buildings or buildings in need in expensive capital repairs will be viable for redevelopment
Older Low Density Commercial	Small Urban Village	4 Storey Mixed Use	2.0	No	Low density commercial properties could be viable if the permitted density is increased to about 2.3 FSR (or more)
Older Low Density Commercial or Rental Apartment Buildings	Large Urban Village	6 Storey Mixed Use	2.5	Yes	The lowest value existing buildings could be financially viable for redevelopment at densities in the range of 2.2 to 2.4 FSR (or more)

## Existing Older Single Family Homes in Fairfield or Gonzales

- Redevelopment of existing older single family homes to townhouse will only be financially viable if the existing single family lot sizes are relatively large, creating the opportunity for a significant number of new townhouse units (say at least 5) per existing single family lot.

We estimate that existing single family lot sizes need to be at least 8,000 square feet to 9,000 square feet (or larger) in order for townhouse development to be financially attractive at properties that are

currently improved with older single family homes. Smaller single family lots are not financially attractive for townhouse development as the existing lot value per square foot is too high.

- Redevelopment of existing older single family homes to 4 storey strata apartment is financially viable at densities of 2.0 FSR. Our case study analysis indicates that densities as low as 1.8 FSR are likely viable.
- Apartment development supports a higher land value than townhouse development. If the City identifies specific locations that it would like to encourage townhouse development, then apartment development should not be permitted in these locations. Otherwise, it will put upward pressure on land values which will make townhouse development more challenging.

## Existing Older Rental Apartment Buildings in Fairfield

- Redevelopment of older 3 and 4 storey rental apartment buildings to 4 storey strata apartment at 2.0 FSR is not financially viable.
- Redevelopment of existing 3 and 4 storey rental apartment buildings to 6 storey mixed-use commercial and strata apartment at 2.5 FSR is not financially viable.
- In order for redevelopment of sites improved with 3 and 4 storey rental buildings to be financially attractive, the City would need to consider increases in height and density beyond the current OCP maximums.
- At the current OCP maximum densities of 2.0 FSR (Urban Residential) and 2.5 FSR (Large Urban Village), we would expect very few existing rental buildings in Fairfield to be financially viable for redevelopment. Only rental properties built to a very low existing density (less than 1.0 FSR) or rental buildings that need expensive capital repairs will be attractive for redevelopment.

## Existing Low Density Commercial Properties in Fairfield

- Redevelopment of older low density commercial properties (built to existing densities of about 0.5 FSR) to mixed-use is not financially attractive at maximum permitted heights of 4 storeys and maximum densities of 2.0 FSR. At this height and density (or lower), there is no financial incentive for owners of these properties to sell for redevelopment as properties are more valuable under existing use than as redevelopment sites.

Therefore, at maximum permitted densities of 2.0 FSR, we would expect very few (if any) of the existing commercial properties in Fairfield and Gonzales to redevelop in the foreseeable future.

- Redevelopment of older low density commercial properties (built to existing densities of about 0.5 FSR) to mixed-use is financially attractive at maximum heights of 6 storeys and maximum densities of 2.5 FSR.

We estimate that some of these types of properties would be attractive for rezoning and redevelopment at densities as low as 2.2 to 2.4 FSR (which would likely still require 5 or 6 storey construction). However, it should be noted that there are very few commercial properties in Cook Street Village or the other commercial areas in Fairfield and Gonzales that are built to existing densities of 0.5 FSR or less. Therefore, 2.2 FSR to 2.4 FSR should be considered the minimum density needed to make commercial properties in Fairfield and Gonzales viable redevelopment candidates. Most existing commercial properties would require a higher permitted density to be financially attractive for redevelopment.

## 1.0 Introduction

### 1.1 Background

The City of Victoria has initiated Neighbourhood Area planning processes for the adjacent communities of Fairfield and Gonzales.

There are several factors which influence the selection of land uses, heights and appropriate densities for development including community acceptance, existing community character, urban design objectives, transportation requirements, servicing capacity, and the general ability of the area to absorb new population and employment. However, a key consideration is the mix of uses and the density of new development that is needed to make redevelopment of existing properties financially viable.

As one input to the neighbourhood planning, the City's planning team wants to understand the financial viability of different types of development projects and the amount of density that likely needs to be approved to stimulate redevelopment in locations that are desirable for intensification from a planning perspective.

Therefore, the City retained Coriolis Consulting Corp. to analyze the financial viability of specific types of redevelopment projects in each neighbourhood and identify the planning implications.

This report summarizes our analysis and key findings.

## 1.2 Location of Neighbourhoods

Fairfield and Gonzales are adjacent neighbourhoods located in the southeast portion of Victoria, between Beacon Hill Park and Oak Bay. Map 1 shows the location of the two neighbourhoods.

**Map 1 – Neighbourhood Location**



## 1.3 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 Redevelopment Scenarios Tested

The Official Community Plan (OCP) currently designates parts of the Fairfield neighbourhood for apartment and mixed-use development. These properties are currently designated Urban Residential, Small Urban Village or Large Urban Village in the OCP and are currently zoned for a mix of different uses and densities. The City wants to understand whether apartment and mixed-use development is financially viable at densities up to the maximum permitted under the existing OCP designations.

The rest of Fairfield and most of Gonzales is designated Traditional Residential which allows ground oriented forms of residential such as single family, duplex and townhouse. However, existing zoning and existing use is primarily single family. The City is interested in understanding the viability of building ground oriented multifamily housing (townhouse) in some of the existing single family areas in Fairfield and Gonzales that are currently designated Traditional Residential.

Therefore, our analysis examines the financial viability of townhouse development, strata apartment development and mixed-use commercial and strata apartment development in Fairfield and Gonzales.

Almost all of the properties in the planning areas are improved with existing buildings so new development in the planning areas will need to come through redevelopment of existing properties. We tested each form of redevelopment on case study sites (or assemblies of adjacent sites) that are illustrative of the range of potential redevelopment opportunities in the neighbourhood planning areas.

Redevelopment will be focused on sites with lower value existing improvements. Properties that are already built to a high existing density or are improved with newer buildings will not be development candidates in the foreseeable future. Therefore, our analysis focuses on case study sites that are improved with older low density commercial buildings, older rental apartment buildings, or older single family homes.

The following table summarizes the different types of redevelopment opportunities that we analyzed organized by assumed redevelopment scenario, existing OCP designation, existing zoning, and existing use.

Exhibit 1: Summary of Redevelopment Scenarios Tested

Redevelopment Scenario	OCP Designation	Current Zoning	Current Use
Townhouse up to 1.0 FSR	Traditional Residential	Single Family	Older Single Family Houses
4 Storey Apartment up to 2.0 FSR	Urban Residential	Single Family	Older Single Family Houses
4 Storey Apartment up to 2.0 FSR	Urban Residential	Multifamily Residential	Older Rental Apartment Buildings
4 Storey Mixed-Use Retail and Apartment up to 2.0 FSR	Small Urban Village	Commercial	Older Low Density Commercial
6 Storey Mixed-Use Retail and Apartment up to 2.5 FSR	Large Urban Village	Commercial or Multifamily Residential	Older Low Density Commercial or Older Rental Apartment Buildings

Because market conditions are very similar in Fairfield and Gonzales, the results of our analysis can be applied to properties in either neighbourhood.

## 3.0 Approach to Analysis

For redevelopment to be financially attractive, the land value supported by the proposed uses, densities, and form of redevelopment must equal (or exceed) the property value supported by its existing use. If the existing use supports a higher value, then there is no financial incentive to demolish the existing buildings and redevelop.

To determine if rezoning and redevelopment in the planning areas is likely to be financially attractive to developers, our financial analysis compares the estimated property value of a sample of case study sites under existing use and zoning with the estimated land value supported by a range of hypothetical rezoning and redevelopment scenarios. If the redevelopment scenario supports a higher land value than the value of the existing use, redevelopment is financially viable.

Our analysis included the following steps:

1. We selected eleven case study sites (or assemblies of adjacent lots) for the financial analysis. These sites are currently improved with either old single family houses, older low density commercial buildings or older rental buildings. The case studies cover the range of existing uses, zoning districts and OCP designations outlined in Section 2.0.
2. Using a combination of market research, financial analysis, and assessment data, we estimated the approximate value of each case study property under its current use. The approach we used varied depending on the existing use.
  - a) For rental apartment buildings and commercial properties, we estimated the value supported by the potential income stream generated by the existing building. This is the estimated value that an investor would likely pay to acquire the property to continue to retain the building and collect investment income for the long term.
  - b) For the older single family houses, we estimated the value of the property assuming it is continued to be used as a single family house or it is purchased for demolition by single family home builder.

Our analysis assumes that a developer would need to pay the existing owner the estimated value of the property plus a premium to provide an incentive to the existing owner to sell (see section 4.3).

3. We created proformas to model the likely financial performance of redevelopment for each of the rezoning and redevelopment options at each of the case study sites. We used the proformas to complete a land residual analysis. This included the following main steps:
  - a) Estimate the revenues that could be generated by the completed development project.
  - b) Deduct the estimated total costs of the development project (excluding land).
  - c) Deduct an industry standard developer's target profit margin.
  - d) Calculate the remaining residual, which is the land value supported by the development concept.

We then compared the results of our land residual analysis with information about actual development site sales and listings to ensure the results are consistent with actual development site transactions.

4. For each case study site, using the estimates of existing value and the financial proforma analysis, we determined whether or not the rezoning and development option is financially viable (i.e., whether the estimated land value supported by the concept from step 3 is equal to or higher than the estimated current value from step 2).

## 4.0 Key Assumptions

### 4.1 Redevelopment Densities and Height by Project Type

Our redevelopment analysis is based on the following assumptions about achievable density and height:

- Townhouse projects at sites currently designated Traditional Residential would be a maximum of 3 storeys and 1.0 FSR. At this density, parking could be provided in garages rather than underground. A higher density would likely require underground parking.
- Low rise apartment projects at sites currently designated Urban Residential would be a maximum of 4 storeys and 2.0 FSR.
- Mixed-use commercial and apartment projects at sites currently designated Small Urban Village would be a maximum of 4 storeys and 2.0 FSR.
- Mixed-use commercial and apartment projects at sites currently designated Large Urban Village would be a maximum of 6 storeys and 2.5 FSR.

### 4.2 Financial Assumptions

The detailed financial assumptions used for each redevelopment scenario are contained in the attachments. The key assumptions for the redevelopment financial analysis are as follows:

1. Average sales price assumptions vary by form of construction:
  - Strata apartment projects are assumed to achieve average sales prices ranging from \$600 per square foot to \$620 per square foot depending on the building height. This assumes woodframe construction and building heights up to a maximum of 6 storeys. This results in average unit prices of about \$510,000 to \$525,000 assuming an average unit size of about 850 square feet. The upper end of this range may be optimistic, but it assumes projects near Cook Street Village can achieve a slight price premium over new projects in other nearby parts of Victoria.
  - Townhouse units are assumed to achieve average sales prices ranging from \$475 per square foot to \$500 per square foot depending on location. This results in an average unit price of about \$760,000 to \$800,000 assuming an average unit size of about 1,600 square feet.

These sales price assumptions are at the upper end of the achievable prices under current market conditions so they may be optimistic for some of the sites we tested. However, we did not want to use conservative sales price assumptions as that would overstate the height and density needed to make redevelopment projects financially viable.

2. Average lease rates for new grade level commercial space in mixed use projects are assumed to be \$25 to \$35 per square foot net depending on location (with the upper end in Cook Street Village). Net operating income is capitalized at 5.25% to estimate total market value.
3. Residential sales commissions are assumed to be 3% of sales revenue.
4. Residential marketing is assumed to total 3% 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 and neighbourhood plan so costs are minimized. Otherwise, the cost would likely be higher.
7. As part of the rezoning process, developers of sites designated Urban Residential or Large Urban Village make a Community Amenity Contribution (CAC) equal to \$5 per square foot of residential floorspace beyond the base density permitted under the OCP designation. This is consistent with the City's density bonus policy.
8. Construction costs are based on information published by BDC Development Consultants, Altus Group, and BTY Group and also on discussions we had with developers who are active in the Victoria multifamily residential market. Construction cost assumptions are as follows:
  - Hard construction costs (excluding parking) for woodframe apartment buildings are assumed to range from about \$180 per square foot to \$200 per square foot depending on height. The lower end of this range is for 4-storey buildings and the upper end is for 6 storey buildings. These costs assume high quality finishings (consistent with the sales price assumptions).
  - Hard costs for townhouse units (excluding parking) are \$160 per square foot.
  - Costs for grade level commercial space in mixed-use buildings are assumed to be \$230 per square foot.
  - Parking costs for underground parking stalls are assumed to average \$35,000 per stall (first level of underground parking) to \$40,000 per stall (second level of underground parking) and grade level garage stalls (for townhouse units) are assumed to average \$20,000 per stall.

In total, hard costs per square foot of floorspace including the cost for parking stalls range are about \$220 to \$240 per square foot for woodframe buildings (depending on height), \$240 to \$255 per square foot for mixed-use buildings (depending on height) and \$180 for townhouse projects.

9. A separate landscaping cost allowance of \$10 per square foot of site area is included.
10. Demolition costs are estimated separately for each site depending on the existing improvements.
11. 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.
12. Water and sewer connection fees are assumed to total about \$50,000 per site.
13. 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.
14. Post construction costs are included for six months following project completion.
15. A contingency allowance of 5% of hard and soft costs is included.
16. Interim financing is charged on all costs (including land) at 5% per year. In addition, a financing fee equivalent to 1.5% of total projects costs is included.
17. Residential and commercial DCCs are included at current rates.
18. Property taxes are based on 2016 mill rates and our own estimate of the assessed value during development.

19. Developer's profit margin is set at 15% of total costs. A profit margin is required both to secure financing and to create an incentive to proceed with a new project. A 15% profit margin is at the lower end of the profit target range for multifamily developers in Victoria and may not be sufficient for some developers to proceed or for some developers to obtain financing. However, we did not want to use a higher profit margin target as that would overstate the height and density needed to make redevelopment projects financially viable.

### **4.3 Property Assembly and Acquisition Assumptions**

Developers who are acquiring sites often have to pay a premium over the market value of the property under its existing use and zoning, particularly if assembly is needed. 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 cost premiums or acquisition cost premiums, we divided properties in the study area into two different categories:

1. Income-producing commercial properties and rental apartment buildings 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 small, 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.

However, even if an investment property owner is willing to sell to a developer, the owner will incur costs associated with selling the existing property (e.g., commissions, legal) and may incur costs associated with purchasing an alternate investment property (e.g., legal, financing, property transfer tax). Therefore, we assume that a developer would need to pay a 10% premium over the estimated existing value to create an incentive for an investment property owner to sell to the developer. This may understate the premium required to entice an owner to sell if they face significant capital gains tax associated with the property sale. However, this will vary from property-to-property.

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 \$900,000 per home (the low end of existing value for an older home 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 \$900,000 replacement house, this would be about \$17,000.
- 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 \$27,000 (assuming a value of \$900,000) if the house is listed on the MLS. However, we assume a reduced realty fee of \$15,000 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 \$40,000 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 \$79,000 or about 9% of the assumed value of the home. This suggests a premium of roughly 10% 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 10% (equivalent to about \$90,000 for a \$900,000 existing home) would create incentive for some 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, higher 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 acquiring an existing rental apartment building or an existing commercial property would need to pay a 10% acquisition premium to the current owner.
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 these costs would likely vary significantly from property-to-property, depending on the current property owner's interest in selling and on the alternatives that the developer has to acquire a different site. Our analysis examines a scenario that we think is reasonable. If owners are not willing to sell at these assumed premiums over market value, then it could be argued that the site is not yet a candidate for redevelopment.

## 5.0 Summary of Results

Our detailed financial analysis for each of the eleven case study sites is included in the Attachments. This section summarizes the findings.

### 5.1 Townhouse Development at Traditional Residential Sites

The Traditional Residential OCP designation allows ground oriented housing, such as single family homes, duplexes or townhouse up to a maximum density of 1.0 FSR. We analyzed the financial viability of rezoning two different case study assemblies for townhouse development at 1.0 FSR, including:

- Two adjacent older single family houses in the 100 block of Wildwood Avenue that have a combined site size of about 11,160 square feet.
- Two adjacent older single family houses in the 1600 block of Earle Street that have a combined site size of about 21,648 square feet.

The results of this analysis apply to sites designated for Traditional Residential in Gonzales or in Fairfield. Our findings can be summarized as follows:

- The assembly with the smaller existing lots (on Wildwood Avenue) is not financially attractive for rezoning and redevelopment to townhouse. The existing single family homes are significantly more valuable than the land value supported by townhouse development.
- The assembly with the larger existing lots (on Earle Street) is financially attractive for rezoning and redevelopment to townhouse. The land value supported by townhouse use is significantly higher than the value of the properties under single family use.

The larger the existing single family lot size, the lower the existing value per square of site area. Therefore, the size of the existing lots has a large impact on whether or not townhouse development is financially viable. Financial viability improves as lot size increases. For example, we estimate that townhouse development supports a land value of about \$120 to \$130 per square foot of site area. Single family lots in the 5,000 to 6,000 square foot range have a value of about \$150 to \$160 per square foot of site area<sup>1</sup> which is higher than townhouse land value. However, larger 10,000 square foot lots have a value of about \$100 to \$110 per square foot of site area which is lower than townhouse land value.

Sensitivity analysis that we completed indicates that existing single family lot sizes need to be a minimum of 8,000 square feet to 9,000 square feet in order for townhouse development to be financially attractive.

---

<sup>1</sup> This includes an assembly premium.

## 5.2 Townhouse or Apartment Development at Urban Residential Sites

The Urban Residential OCP designation includes a base density 1.2 FSR with the opportunity for increased density up to a maximum of approximately 2.0 FSR. We analyzed redevelopment of four different case study sites (or assemblies) that are designated Urban Residential, including:

- One older single family house and an adjacent older triplex in the 1100 block of Burdett Avenue that have a combined site size of about 12,120 square feet.
- Two adjacent older single family houses in the 300 block of Chester Avenue that have a combined site size of about 13,460 square feet.
- One older single family house and an adjacent older duplex in the 500 block of Quadra Street that have a combined site size of about 12,540 square feet.
- An older 4 storey rental apartment building (with 30 existing units built to about 1.3 FSR) on a 22,000 square foot property in the 1000 block of Pakington Street.

Our findings can be summarized as follows:

- None of the properties are financially attractive for rezoning and redevelopment to townhouse. The existing use is significantly more valuable than the land value supported by townhouse development.
- The three sites currently improved with older single family houses (or older duplex/triplexes) are financially attractive for rezoning and redevelopment to 4 storey strata apartment at 2.0 FSR. Redevelopment of these site is likely viable at densities as low as 1.8 FSR.
- Rezoning and redevelopment of the existing rental apartment building to 4 storey strata apartment at 2.0 FSR is not financially viable. This property is too valuable under its existing use as an income-producing rental building to be viable for redevelopment at the maximum assumed redevelopment density of 2.0 FSR. In order for redevelopment of this site to be financially attractive, increased height and density would need to be permitted (likely 3.0 FSR or more if redeveloped as strata apartments).
- At the maximum permitted density of 2.0 FSR, only rental buildings built to a very low existing density (less than 1.0 FSR) or rental buildings that are in need of expensive capital repairs will be attractive for redevelopment.

## 5.3 Mixed-Use Development at Small Urban Village Sites

The Small Urban Village OCP designation includes a base density 1.5 FSR with the opportunity for increased density up to a maximum of approximately 2.0 FSR. Very few properties in Fairfield and Gonzales are designated Small Urban Village. We analyzed two properties that are designated Small Urban Village, including:

- A 19,000 square foot site improved with a low density single storey commercial building located in the 1200 block of Fairfield Road. The existing built density is about 0.5 FSR.
- A 6,000 square foot site improved with a 2 storey office building located in the 100 block of Moss Street. The existing built density is about 1.0 FSR.

Our findings can be summarized as follows:

- Neither site is financially attractive for rezoning and redevelopment at the maximum OCP density of 2.0 FSR.
- Redevelopment of the case study property built to the lowest existing density (single storey commercial with surface parking) would be financially attractive at a density of about 2.3 FSR, which would require 5 or 6 storeys. The site improved with the 2 storey commercial building would require significantly higher density to be financially attractive for redevelopment.

## 5.4 Mixed-Use Development at Large Urban Village Sites

The Large Urban Village OCP designation includes a base density 1.5 FSR with the opportunity for increased density up to a maximum of approximately 2.5 FSR. Many of the properties in Cook Street Village are currently designated Large Urban Village.

We analyzed three different case study sites (or assemblies) that are designated Large Urban Village in Cook Street Village, including:

- A 34,000 square foot site in the 200 block of Cook Street improved with older grade level commercial space and four upper floor rental apartment units. The overall existing built density is estimated at about 0.5 FSR.
- A 12,000 square foot site in the 300 block of Cook Street improved with older grade level commercial space. The overall existing built density is estimated at about 0.3 FSR.
- Two adjacent older 3 storey rental apartment buildings (with a combined total of 24 units built to about 1.3 FSR) in the 200 block of Cook Street with a total combined lot size of about 19,000 square feet.

Our findings can be summarized as follows:

- Rezoning and redevelopment of the existing rental apartment building site to 6 storey mixed-use commercial and strata apartment at 2.5 FSR is not financially viable. This property is too valuable under its existing use as income-producing rental buildings to be viable for redevelopment at the maximum assumed density of 2.5 FSR. In order for redevelopment of this site to be financially attractive, increased height and density would need to be permitted (likely 3.0 FSR or more). At the maximum permitted density of 2.5 FSR, only rental buildings built to a very low existing density (less than 1.0 FSR) or rental buildings that are in need of expensive capital repairs will be attractive for redevelopment.
- Rezoning and redevelopment of the existing low density commercial properties to 6 storey mixed-use commercial and strata apartment at 2.5 FSR is financially viable. We estimate that these two low density existing commercial properties (built to 0.5 FSR or less) would be attractive for rezoning and redevelopment at minimum densities in the range of about 2.2 to 2.4 FSR (or more). This would likely require 5 or 6 storey construction. It should be noted that there are very few properties in Cook Street Village that are built to existing densities of 0.5 FSR or less. Therefore, our estimate of the 2.2 to 2.4 FSR estimate should be considered the minimum density needed to make redevelopment of properties in Cook Street Village viable redevelopment candidates. Most properties will require additional density.

## 5.5 Other Findings

As part of our analysis, we tested the implications of including rental apartment units rather than strata units in the redevelopment project.

The inclusion of rental units at a new project has a negative impact on the financial viability of redevelopment because the completed value of the rental units is significantly lower than the value of similar sized strata units. Therefore, a rental apartment project will require a higher density than a strata apartment project to be financially viable.

## 6.0 Implications for Planning

The key findings of our financial analysis by type of existing property are shown in Exhibit 2. The implications for planning are outlined in the following sections.

**Exhibit 2: Summary of Financial Analysis by Type of Existing Property**

Existing Use	OCP Designation	Assumed Redevelopment Type	Assumed Density (FSR)	Financially Viable	Comments
Older Single Family Homes	Traditional Residential	Townhouse	1.0	Possibly	Only viable on larger existing single family lots
Older Single Family Homes	Urban Residential	4 Storey Apartment	2.0	Yes	Viable in the range of 1.8 to 2.0 FSR
Older Rental Apartment Buildings	Urban Residential	4 Storey Apartment	2.0	No	Only very low density existing buildings or buildings in need in expensive capital repairs will be viable for redevelopment
Older Low Density Commercial	Small Urban Village	4 Storey Mixed Use	2.0	No	Low density commercial properties could be viable if the permitted density is increased to about 2.3 FSR (or more)
Older Low Density Commercial or Rental Apartment Buildings	Large Urban Village	6 Storey Mixed Use	2.5	Yes	The lowest value existing buildings could to financially viable for redevelopment at densities in the range of 2.2 to 2.4 FSR (or more)

### 6.1 Existing Older Single Family Homes in Fairfield or Gonzales

- Redevelopment of existing older single family homes to townhouse will only be financially viable if the existing single family lot sizes are relatively large, creating the opportunity for a significant number of new townhouse units (say at least 5) per existing single family lot.

We estimate that existing single family lot sizes need to be at least 8,000 square feet to 9,000 square feet (or larger) in order for townhouse development to be financially attractive at properties that are currently improved with older single family homes. Smaller single family lots are not financially attractive for townhouse development.

- Redevelopment of existing older single family homes to 4-storey strata apartment is financially viable at densities of 2.0 FSR. Our case study analysis indicates that densities as low as 1.8 FSR are likely viable.
- Apartment development supports a higher land value than townhouse development. If the City identifies specific locations that it would like to encourage townhouse development, then apartment development should not be permitted in these locations. Otherwise, it will put upward pressure on land values which will make townhouse development more challenging.

### 6.2 Existing Older Rental Apartment Buildings in Fairfield

- Redevelopment of older 3 and 4 storey rental apartment buildings to 4 storey strata apartment at 2.0 FSR is not financially viable.

- Redevelopment of existing 3 and 4 storey rental apartment buildings to 6 storey mixed-use commercial and strata apartment at 2.5 FSR is not financially viable.
- In order for redevelopment of sites improved with 3 and 4 storey rental buildings to be financially attractive, the City would need to consider increases in height and density beyond the current OCP maximums.
- At the current OCP maximum densities of 2.0 FSR (Urban Residential) and 2.5 FSR (Large Urban Village), we would expect very few existing rental buildings in Fairfield to be financially viable for redevelopment. Only rental buildings built to a very low existing density (less than 1.0 FSR) or rental buildings that need expensive capital repairs will be attractive for redevelopment.

### **6.3 Existing Low Density Commercial Properties in Fairfield**

- Redevelopment of older low density commercial properties (built to densities of about 0.5 FSR or so) to mixed-use is not financially attractive at maximum permitted heights of 4 storeys and maximum densities of 2.0 FSR. At this height and density (or lower), there is no financial incentive for owners of these properties to sell for redevelopment as properties are more valuable under existing use than as redevelopment sites.

Therefore, at maximum permitted densities of 2.0 FSR, we would expect very few (if any) of the existing commercial properties in Fairfield and Gonzales to redevelop in the foreseeable future.

- Redevelopment of older low density commercial properties (built to densities of about 0.5 FSR or so) to mixed-use is financially attractive at maximum heights of 6 storeys and maximum densities of 2.5 FSR.

We estimate that these types of properties would be attractive for rezoning and redevelopment at densities as low as 2.2 to 2.4 FSR (which would likely still require 5 or 6 storey construction). However, it should be noted that there are very few commercial properties in Cook Street Village or the other commercial areas in Fairfield and Gonzales that are built to existing densities of 0.5 FSR or less. Therefore, 2.2 FSR to 2.4 FSR should be considered the minimum density needed to make commercial properties in Fairfield and Gonzales viable redevelopment candidates. Most existing commercial properties would require a higher permitted density to be financially attractive for redevelopment.

## 7.0 Attachments

### 7.1 Summary of Results

The following exhibit summarizes the results of our analysis for each case study site. For each site, it identifies the location, the existing use, the total site size, the estimated value under existing use and the estimated land value supported by the different redevelopment scenarios considered for the site. The results are colour-coded. Scenarios that are financially viable are shaded green, scenarios that are not viable are shaded red and scenarios that are close to being viable are shaded yellow.

**Exhibit 3: Summary of Financial Analysis for Case Study Sites**

Location	OCP Designation	Existing Use	Total Site Size (sf)	Estimated Value Under Existing Use <sup>2</sup>	Estimated Supportable Land Value for Redevelopment Scenarios			
					Townhouse at 1.0 FSR	4 Storey Apartment at 2.0 FSR	4 Storey Mixed Use at 2.0 FSR	6 Storey Mixed Use at 2.5 FSR
100 block Wildwood Ave	Traditional Residential	2 older single family homes	11,160	\$1,800,000	\$1,400,000	not analyzed	not analyzed	not analyzed
1600 block Earle St	Traditional Residential	2 older single family homes - larger lots	21,648	\$2,200,000	\$2,500,000	not analyzed	not analyzed	not analyzed
1100 block Burdett Ave	Urban Residential	Single family house and triplex	12,120	\$2,100,000	\$1,550,000	\$2,300,000	not analyzed	not analyzed
300 block Chester Ave	Urban Residential	Two single family houses	13,461	\$2,200,000	\$1,800,000	\$2,600,000	not analyzed	not analyzed
500 block Quadra St	Urban Residential	Single family house and duplex	12,540	\$1,950,000	\$1,700,000	\$2,400,000	not analyzed	not analyzed
1000 block Pakington St	Urban Residential	Rental apartment building	22,609	\$5,900,000	not analyzed	\$4,300,000	not analyzed	not analyzed
1200 block Fairfield Rd	Small Urban Village	Single storey commercial building	18,804	\$3,300,000	not analyzed	\$3,700,000	\$2,700,000	not analyzed
100 block Moss St	Small Urban Village	2 storey office building	5,931	\$1,500,000	not analyzed	\$1,100,000	\$900,000	not analyzed
200 block Cook St	Large Urban Village	Food store, CRUs and rental apts	34,872	\$6,900,000	not analyzed	not analyzed	\$6,500,000	\$7,500,000
300 block Cook St	Large Urban Village	Retail building	11,907	\$2,400,000	not analyzed	not analyzed	\$2,100,000	\$2,500,000
200 block Cook St	Large Urban Village	Two rental apartment buildings	19,050	\$5,000,000	not analyzed	\$3,500,000	\$3,300,000	\$3,900,000

Financial viability - value supported by redevelopment concept needs to equal or exceed estimated existing value:

	financially viable
	almost viable
	not financially viable

<sup>2</sup> The estimated value under existing use includes (1) a 10% premium on the commercial and rental apartment sites to cover the costs to the existing owner of selling and acquiring an alternate property and (2) a 20% premium on single family homes that require assembly to cover the costs to the owner of re-purchasing an alternate home plus a small financial incentive to sell.

## 7.2 Financial Analysis

This section contains the detailed financial analysis that we completed for the eleven case study sites.

### Site 1

Site 1 is located in the 100 block of Wildwood Avenue. It consists of two adjacent older single family homes with a combine site size of 11,160 square feet. We analyzed the viability of redevelopment to townhouse at 1.0 FSR.

#### Existing Value

Based on a combination of recent sales of similar houses in the neighbourhood, the current property assessments, and the average increase in residential property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$1.5 million. After including a 20% assembly cost allowance, the minimum cost to the developer would be about \$1.8 million.

#### Estimated Land Value Supported by Townhouse at 1.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to townhouse at 1.0 FSR. As shown in the proforma, the estimated land value supported by townhouse use is about \$1.4 million which is lower than the existing value.

Therefore, redevelopment to townhouse is not financially viable.

**Exhibit 4 – Land Value Supported by Townhouse Development at 1.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)				
<b>Site and Building Size</b>				
Site Size	11,160	sq.ft.		
	93	feet of frontage		
Total Assumed Density	1.00	FSR		
<b>Total Gross floorspace</b>	11,160	sq.ft.		
<b>Commercial floorspace</b>	0			
<b>Market Strata Residential floorspace</b>	11,160	gross square feet		
Net saleable space	11,160	sq.ft. or	100%	of gross area
Average Gross unit size	1,594	sq.ft. gross		
Average Net unit size	1,594	sq.ft.		
Number of units	7	units or		
Total Market Strata Unit Parking Stalls (including visitors)	11	stalls or	1.5	per unit
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres
Total Parking Stalls	11	stalls		
Underground/structured parking stalls provided	11	stalls	4,180	square feet
Surface parking stalls	0	stalls		
<b>Strata Revenue and Value</b>				
Average Sales Price Per Sq. Ft.	\$500	per sq.ft. of net saleable residential space		
<b>Commercial Revenue and Value</b>				
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net for shell space, no TI's		
Capitalization Rate for Retail Space	5.25%			
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00%	allowance for vacancy
<b>Pre-Construction Costs</b>				
Allowance for Rezoning Costs	\$100,000			
<b>Construction Costs</b>				
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)	\$70,884	or	\$2,500	per metre of frontage
Connection fees	\$50,000			
<b>Hard Construction Costs</b>				
Market Strata Residential Area	\$160	per gross sq.ft. of residential area		
Commercial Area	\$230	per gross sq.ft. of commercial area		
Cost Per Garage Parking Stall	\$20,000	per stall		
Cost Per Surface Parking Stall	\$7,500	per at grade stall		
Overall Costs Per Square Foot	\$180	per gross sq.ft.		
Hard Cost Used in Analysis	\$180			
Landscaping	\$55,800	or	\$10	per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)		9.0%	of above	
Project Management		3.0%	of above	
Car Share Costs	\$0			
Post Construction Holding Costs	\$500	per unit on average of	50%	of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs		
<b>Local Government Levies</b>				
Regional Levy - Apartment	\$0.00	per market unit		
Regional Levy - Commercial	\$0.00	per sq.ft. of floorspace		
Residential DCCs (townhouse rate)	\$3.05	per sq.ft. of floorspace		
Commercial DCCs	\$2.15	per sq.ft. of floorspace		
<b>Financing Assumptions</b>				
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.25	year construction period 100% on costs
Financing fees	1.50%	of financed construction costs		
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost
<b>Marketing and Commissions</b>				
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue		
Commissions on commercial sale	2.5%	of commercial value		
Marketing on residential	3.0%	of gross strata market residential revenue		
Leasing commissions on commercial	17.0%	of Year 1 income		
Marketing on commercial	\$0			
<b>Property Taxes</b>				
Tax Rate	0.683%	of assessed value		
Current assessment (Year 1 of analysis)	\$1,158,600			
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$2,790,000	(50% of completed project value)		
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs

**Exhibit 4 continued – Land Value Supported by Townhouse Development at 1.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$5,580,000
Less commissions and sales costs		\$167,400
Net residential sales revenue		\$5,412,600
Commercial Value		\$0
Commission on Commercial Sale		\$0
Net commercial value		\$0
Total Value Net of Commissions		\$5,412,600
<b>Project Costs</b>		
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)		\$70,884
Connection fees		\$50,000
Hard construction costs		\$2,005,600
Landscaping		\$55,800
Soft costs		\$199,106
Project Management		\$75,342
Residential Marketing		\$167,400
Commercial Marketing		\$0
Leasing commissions on commercial space		\$0
Car Share		\$0
Post Construction Holding Costs		\$10,500
Contingency on hard and soft costs		\$137,707
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$34,037
DCCs - commercial		\$0
Less property tax allowance during development		\$12,677
Construction financing		\$92,158
Financing fees/costs		\$45,618
Total Project Costs Before Land Related		\$3,086,828
<b>Allowance for Developer's Profit</b>		<b>\$727,632</b>
<b>Residual to Land and Land Carry</b>		<b>\$1,598,140</b>
Less financing on land during construction and approvals		\$161,812
Less property purchase tax		\$26,727
<b>Residual Land Value</b>		<b>\$1,409,602</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$126.31</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$126.31</b>

## **Site 2**

Site 2 is located in the 1600 block of Earle Street. It consists of two adjacent older single family homes with a combine site size of 21,648 square feet. We analyzed the viability of redevelopment to townhouse at 1.0 FSR.

### Existing Value

Based on a combination of recent sales of similar houses in the neighbourhood, the current property assessments, and the average increase in residential property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$1.85 million. After including a 20% assembly cost allowance, the minimum cost to the developer would be about \$2.2 million.

### Estimated Land Value Supported by Townhouse at 1.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to townhouse at 1.0 FSR. As shown in the proforma, the estimated land value supported by townhouse use is about \$2.5 million which is significantly higher than the existing value.

Therefore, redevelopment of this site to townhouse is financially viable.

**Exhibit 5 – Land Value Supported by Townhouse Development at 1.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)					
<b>Site and Building Size</b>					
Site Size	21,648	sq.ft.			
	180	feet of frontage			
Total Assumed Density	1.00	FSR			
<b>Total Gross floorspace</b>	21,648	sq.ft.			
<b>Commercial floorspace</b>	0				
<b>Market Strata Residential floorspace</b>	21,648	gross square feet			
Net saleable space	21,648	sq.ft. or	100%	of gross area	
Average Gross unit size	1,546	sq.ft. gross			
Average Net unit size	1,546	sq.ft.			
Number of units	14	units or			
Total Market Strata Unit Parking Stalls (including visitors)	21	stalls or	1.5	per unit	
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres	
Total Parking Stalls	21	stalls			
Underground/structured parking stalls provided	21	stalls	7,980	square feet	
Surface parking stalls	0	stalls			
<b>Strata Revenue and Value</b>					
Average Sales Price Per Sq. Ft.	\$475	per sq.ft. of net saleable residential space			
<b>Commercial Revenue and Value</b>					
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net for shell space, no TI's			
Capitalization Rate for Retail Space	5.25%				
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00%	allowance for vacancy	
<b>Pre-Construction Costs</b>					
Allowance for Rezoning Costs	\$100,000				
<b>Construction Costs</b>					
Allowance for Demolition of Existing Buildings	\$30,000				
Other Costs 1	\$0				
Other Costs 2	\$0				
Site Servicing	\$137,500	or	\$2,500	per metre of frontage	
Connection fees	\$50,000				
<b>Hard Construction Costs</b>					
Market Strata Residential Area	\$160	per gross sq.ft. of residential area			
Commercial Area	\$230	per gross sq.ft. of commercial area			
Cost Per Garage Parking Stall	\$20,000	per stall			
Cost Per Surface Parking Stall	\$7,500	per at grade stall			
Overall Costs Per Square Foot	\$179	per gross sq.ft.			
Hard Cost Used in Analysis	\$179				
Landscaping	\$108,240	or	\$10	per sq.ft. on 50% of site	
Soft costs/professional fees (excluding management)		9.0%	of above		
Project Management		3.0%	of above		
Car Share Costs	\$0				
Post Construction Holding Costs	\$500	per unit on average of	50%	of units	6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs			
<b>Local Government Levies</b>					
Regional Levy - Apartment	\$0.00	per market unit			
Regional Levy - Commercial	\$0.00	per sq.ft. of floorspace			
Residential DCCs (townhouse rate)	\$3.05	per sq.ft. of floorspace			
Commercial DCCs	\$2.15	per sq.ft. of floorspace			
<b>Financing Assumptions</b>					
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.25	year construction period	
			100%	on costs	
Financing fees	1.50%	of financed construction costs			
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost	
<b>Marketing and Commissions</b>					
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue			
Commissions on commercial sale	2.5%	of commercial value			
Marketing on residential	3.0%	of gross strata market residential revenue			
Leasing commissions on commercial	17.0%	of Year 1 income			
Marketing on commercial	\$0				
<b>Property Taxes</b>					
Tax Rate	0.683%	of assessed value			
Current assessment (Year 1 of analysis)	\$1,465,500				
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$5,141,400	(50% of completed project value)			
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs	

**Exhibit 5 continued – Land Value Supported by Townhouse Development at 1.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$10,282,800
Less commissions and sales costs		\$308,484
Net residential sales revenue		\$9,974,316
Commercial Value		\$0
Commission on Commercial Sale		\$0
Net commercial value		\$0
Total Value Net of Commissions		\$9,974,316
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$30,000
Other Costs 1		\$0
Other Costs 2		\$0
Site Servicing		\$137,500
Connection fees		\$50,000
Hard construction costs		\$3,883,680
Landscaping		\$108,240
Soft costs		\$378,848
Project Management		\$140,648
Residential Marketing		\$308,484
Commercial Marketing		\$0
Leasing commissions on commercial space		\$0
Car Share		\$0
Post Construction Holding Costs		\$21,000
Contingency on hard and soft costs		\$256,870
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$66,024
DCCs - commercial		\$0
Less property tax allowance during development		\$18,787
Construction financing		\$171,878
Financing fees/costs		\$85,079
Total Project Costs Before Land Related		\$5,757,039
<b>Allowance for Developer's Profit</b>		<b>\$1,340,877</b>
<b>Residual to Land and Land Carry</b>		<b>\$2,876,400</b>
Less financing on land during construction and approvals		\$291,236
Less property purchase tax		\$49,703
<b>Residual Land Value</b>		<b>\$2,535,461</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$117.12</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$117.12</b>

### **Site 3**

Site 3 is located in the 1100 block of Burdett Avenue. It consists of one older single family homes plus an adjacent older triplex with a combine site size of 12,120 square feet. We analyzed the viability of redevelopment to apartment at 2.0 FSR.

#### Existing Value

Based on a combination of recent sales of similar houses in the neighbourhood, the current property assessments, and the average increase in residential property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$1.75 million. After including a 20% assembly cost allowance, the minimum cost to the developer would be about \$2.1 million.

#### Estimated Land Value Supported by Apartment at 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to apartment at 2.0 FSR. As shown in the proforma, the estimated land value supported by apartment use is about \$2.3 million which is significantly higher than the existing value.

Therefore, redevelopment of this site to apartment is financially viable.

**Exhibit 6 – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)				
<b>Site and Building Size</b>				
Site Size	12,120	sq.ft.		
	101	feet of frontage		
Total Assumed Density	2.00	FSR		
<b>Total Gross floorspace</b>	24,240	sq.ft.		
<b>Commercial floorspace</b>	0			
<b>Market Strata Residential floorspace</b>	24,240	gross square feet		
Net saleable space	20,604	sq.ft. or	85%	of gross area
Average Gross unit size	1,010	sq.ft. gross		
Average Net unit size	859	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		
<b>Strata Revenue and Value</b>				
Average Sales Price Per Sq. Ft.	\$600	per sq.ft. of net saleable residential space		
<b>Commercial Revenue and Value</b>				
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net for shell space, no TI's		
Capitalization Rate for Retail Space	5.25%			
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00%	allowance for vacancy
<b>Pre-Construction Costs</b>				
Allowance for Rezoning Costs	\$100,000			
<b>Construction Costs</b>				
Allowance for Demolition of Existing Buildings	\$30,000			
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.2 FSR		
Other Costs 1	\$0			
Site Servicing	\$76,982	or	\$2,500	per metre of frontage
Connection fees	\$50,000			
<b>Hard Construction Costs</b>				
Market Strata Residential Area	\$180	per gross sq.ft. of residential area		
Commercial Area	\$230			
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	\$222	per gross sq.ft.		
Hard Cost Used in Analysis	\$222			
Landscaping	\$60,600	or	\$10	per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)	9.0%	of above		
Project Management	3.0%	of above		
Car Share Costs	\$0			
Post Construction Holding Costs	\$500	per unit on average of	50%	of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs		
<b>Local Government Levies</b>				
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		
<b>Financing Assumptions</b>				
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50	year construction period 100% on costs
Financing fees	1.50%	of financed construction costs		
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost
<b>Marketing and Commissions</b>				
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue		
Commissions on commercial sale	2.5%	of commercial value		
Marketing on residential	3.0%	of gross strata market residential revenue		
Leasing commissions on commercial	17.0%	of Year 1 income		
Marketing on commercial	\$0			
<b>Property Taxes</b>				
Tax Rate (res)	0.683%	of assessed value		
Current assessment (Year 1 of analysis)	\$1,400,000			
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$6,181,200	(50% of completed project value)		
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs

**Exhibit 6 continued – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$12,362,400
Less commissions and sales costs		\$370,872
Net residential sales revenue		\$11,991,528
Commercial Value		\$0
Commission on Commercial Sale		\$0
Net commercial value		\$0
Total Value Net of Commissions		\$11,991,528
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$30,000
Community Amenity Contribution (CAC)		\$48,480
Other Costs 1		\$0
Site Servicing		\$76,982
Connection fees		\$50,000
Hard construction costs		\$5,378,200
Landscaping		\$60,600
Soft costs		\$507,984
Project Management		\$187,567
Residential Marketing		\$370,872
Commercial Marketing		\$0
Leasing commissions on commercial space		\$0
Car Share		\$0
Post Construction Holding Costs		\$36,000
Contingency on hard and soft costs		\$340,534
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$80,730
DCCs - commercial		\$0
Less property tax allowance during development		\$30,669
Construction financing		\$273,698
Financing fees/costs		\$113,585
Total Project Costs Before Land Related		\$7,685,902
<b>Allowance for Developer's Profit</b>		<b>\$1,612,057</b>
<b>Residual to Land and Land Carry</b>		<b>\$2,693,569</b>
Less financing on land during construction and approvals		\$303,027
Less property purchase tax		\$45,811
<b>Residual Land Value</b>		<b>\$2,344,732</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$96.73</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$193.46</b>

#### **Site 4**

Site 4 is located in the 300 block of Chester Avenue. It consists of two older single family homes with a combine site size of 13,460 square feet. We analyzed the viability of redevelopment to apartment at 2.0 FSR.

#### Existing Value

Based on a combination of recent sales of similar houses in the neighbourhood, the current property assessments, and the average increase in residential property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$1.8 million. After including a 20% assembly cost allowance, the minimum cost to the developer would be about \$2.2 million.

#### Estimated Land Value Supported by Apartment at 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to apartment at 2.0 FSR. As shown in the proforma, the estimated land value supported by apartment use is about \$2.6 million which is significantly higher than the existing value.

Therefore, redevelopment of this site to apartment is financially viable.

**Exhibit 7 – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)				
<b>Site and Building Size</b>				
Site Size	13,461	sq.ft.		
	112	feet of frontage		
Total Assumed Density	2.00	FSR		
<b>Total Gross floorspace</b>	26,922	sq.ft.		
<b>Commercial floorspace</b>	0			
<b>Market Strata Residential floorspace</b>	26,922	gross square feet		
Net saleable space	22,884	sq.ft. or	85%	of gross area
Average Gross unit size	997	sq.ft. gross		
Average Net unit size	848	sq.ft.		
Number of units	27	units or		
Total Market Strata Unit Parking Stalls (including visitors)	32	stalls or	1.2	per unit
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres
Total Parking Stalls	32	stalls		
Underground/structured parking stalls provided	32	stalls	12,160	square feet
Surface parking stalls	0	stalls		
<b>Strata Revenue and Value</b>				
Average Sales Price Per Sq. Ft.	\$600	per sq.ft. of net saleable residential space		
<b>Commercial Revenue and Value</b>				
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net for shell space, no TI's		
Capitalization Rate for Retail Space	5.25%			
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00%	allowance for vacancy
<b>Pre-Construction Costs</b>				
Allowance for Rezoning Costs	\$100,000			
<b>Construction Costs</b>				
Allowance for Demolition of Existing Buildings	\$30,000			
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.2 FSR		
Other Costs 1	\$0			
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	\$85,499	or	\$2,500	per metre of frontage
Connection fees	\$50,000			
<b>Hard Construction Costs</b>				
Market Strata Residential Area	\$180	per gross sq.ft. of residential area		
Commercial Area	\$230			
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	\$222	per gross sq.ft.		
Hard Cost Used in Analysis	\$222			
Landscaping	\$67,305	or	\$10	per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)	9.0%	of above		
Project Management	3.0%	of above		
Car Share Costs	\$0			
Post Construction Holding Costs	\$500	per unit on average of	50%	of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs		
<b>Local Government Levies</b>				
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		
<b>Financing Assumptions</b>				
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50	year construction period 100% on costs
Financing fees	1.00%	of financed construction costs		
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost
<b>Marketing and Commissions</b>				
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue		
Commissions on commercial sale	2.5%	of commercial value		
Marketing on residential	3.0%	of gross strata market residential revenue		
Leasing commissions on commercial	17.0%	of Year 1 income		
Marketing on commercial	\$0			
<b>Property Taxes</b>				
Tax Rate (res)	0.683%	of assessed value		
Current assessment (Year 1 of analysis)	\$1,466,000			
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$6,865,110	(50% of completed project value)		
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs

**Exhibit 7 continued – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue	\$13,730,220	
Less commissions and sales costs	\$411,907	
Net residential sales revenue	\$13,318,313	
Commercial Value	\$0	
Commission on Commercial Sale	\$0	
Net commercial value	\$0	
Total Value Net of Commissions	\$13,318,313	
<b>Project Costs</b>		
Allowance for Rezoning Costs	\$100,000	
Allowance for Demolition of Existing Buildings	\$30,000	
Community Amenity Contribution (CAC)	\$53,844	
Other Costs 1	\$0	
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	\$85,499	
Connection fees	\$50,000	
Hard construction costs	\$5,965,960	
Landscaping	\$67,305	
Soft costs	\$562,735	
Project Management	\$207,460	
Residential Marketing	\$411,907	
Commercial Marketing	\$0	
Leasing commissions on commercial space	\$0	
Car Share	\$0	
Post Construction Holding Costs	\$40,500	
Contingency on hard and soft costs	\$376,735	
Regional Levy - Apartment	\$0	
Regional Levy - Commercial	\$0	
DCCs - residential	\$89,663	
DCCs - commercial	\$0	
Less property tax allowance during development	\$33,456	
Construction financing	\$302,815	
Financing fees/costs	\$83,779	
Total Project Costs Before Land Related	\$8,461,657	
<b>Allowance for Developer's Profit</b>	\$1,790,421	
<b>Residual to Land and Land Carry</b>	<b>\$3,066,235</b>	
Less financing on land during construction and approvals	\$344,951	
Less property purchase tax	\$113,639	
<b>Residual Land Value</b>	<b>\$2,607,645</b>	
<b>Residual Value per sq.ft. buildable</b>	<b>\$96.86</b>	
<b>Residual Value per sq.ft. of site</b>	<b>\$193.72</b>	

## **Site 5**

Site 5 is located in the 500 block of Quadra Street. It consists of one older single family home plus an adjacent older duplex property with a combine site size of 12,540 square feet. We analyzed the viability of redevelopment to apartment at 2.0 FSR.

### Existing Value

Based on a combination of recent sales of similar houses in the neighbourhood, the current property assessments, and the average increase in residential property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$1.65 million. After including a 20% assembly cost allowance, the minimum cost to the developer would be about \$1.95 million.

### Estimated Land Value Supported by Apartment at 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to apartment at 2.0 FSR. As shown in the proforma, the estimated land value supported by apartment use is about \$2.4 million which is significantly higher than the existing value.

Therefore, redevelopment of this site to apartment is financially viable.

**Exhibit 8 – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)					
<b>Site and Building Size</b>					
Site Size	12,540	sq.ft.			
	105	feet of frontage			
Total Assumed Density	2.00	FSR			
<b>Total Gross floorspace</b>	25,080	sq.ft.			
<b>Commercial floorspace</b>	0				
<b>Market Strata Residential floorspace</b>	25,080	gross square feet			
Net saleable space	21,318	sq.ft. or	85%	of gross area	
Average Gross unit size	1,003	sq.ft. gross			
Average Net unit size	853	sq.ft.			
Number of units	25	units or			
Total Market Strata Unit Parking Stalls (including visitors)	30	stalls or	1.2	per unit	
Total Commercial Parking Stalls	0	stalls or 1 per	37.5	square metres	
Total Parking Stalls	30	stalls			
Underground/structured parking stalls provided	30	stalls	11,400	square feet	
Surface parking stalls	0	stalls			
<b>Strata Revenue and Value</b>					
Average Sales Price Per Sq. Ft.	\$600	per sq.ft. of net saleable residential space			
<b>Commercial Revenue and Value</b>					
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net for shell space, no TI's			
Capitalization Rate for Retail Space	5.25%				
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00%	allowance for vacancy	
<b>Pre-Construction Costs</b>					
Allowance for Rezoning Costs	\$100,000				
<b>Construction Costs</b>					
Allowance for Demolition of Existing Buildings	\$30,000				
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.2 FSR			
Other Costs 1	\$0				
Site Servicing	\$79,649	or	\$2,500	per metre of frontage	
Connection fees	\$50,000				
<b>Hard Construction Costs</b>					
Market Strata Residential Area	\$180	per gross sq.ft. of residential area			
Commercial Area	\$230				
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	\$222	per gross sq.ft.			
Hard Cost Used in Analysis	\$222				
Landscaping	\$62,700	or	\$10	per sq.ft. on 50% of site	
Soft costs/professional fees (excluding management)	9.0%	of above			
Project Management	3.0%	of above			
Car Share Costs	\$0				
Post Construction Holding Costs	\$500	per unit on average of	50%	of units	6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs			
<b>Local Government Levies</b>					
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			
<b>Financing Assumptions</b>					
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50	year construction period	100%
Financing fees	1.50%	of financed construction costs			
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost	
<b>Marketing and Commissions</b>					
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue			
Commissions on commercial sale	2.5%	of commercial value			
Marketing on residential	3.0%	of gross strata market residential revenue			
Leasing commissions on commercial	17.0%	of Year 1 income			
Marketing on commercial	\$0				
<b>Property Taxes</b>					
Tax Rate (res)	0.683%	of assessed value			
Current assessment (Year 1 of analysis)	\$1,294,400				
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$6,395,400	(50% of completed project value)			
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs	

**Exhibit 8 continued – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$12,790,800
Less commissions and sales costs		\$383,724
Net residential sales revenue		\$12,407,076
Commercial Value		\$0
Commission on Commercial Sale		\$0
Net commercial value		\$0
Total Value Net of Commissions		\$12,407,076
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$30,000
Community Amenity Contribution (CAC)		\$50,160
Other Costs 1		\$0
Site Servicing		\$79,649
Connection fees		\$50,000
Hard construction costs		\$5,564,400
Landscaping		\$62,700
Soft costs		\$525,322
Project Management		\$193,867
Residential Marketing		\$383,724
Commercial Marketing		\$0
Leasing commissions on commercial space		\$0
Car Share		\$0
Post Construction Holding Costs		\$37,500
Contingency on hard and soft costs		\$351,991
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$83,528
DCCs - commercial		\$0
Less property tax allowance during development		\$30,680
Construction financing		\$282,882
Financing fees/costs		\$117,396
Total Project Costs Before Land Related		\$7,943,799
<b>Allowance for Developer's Profit</b>		<b>\$1,667,920</b>
<b>Residual to Land and Land Carry</b>		<b>\$2,795,357</b>
Less financing on land during construction and approvals		\$314,478
Less property purchase tax		\$52,426
<b>Residual Land Value</b>		<b>\$2,428,453</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$96.83</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$193.66</b>

### **Site 6**

Site 6 is located in the 1000 block of Pakington Street. It is a 22,600 square foot lot improved with an older 4 storey 30 unit apartment building built to an existing density of about 1.3 FSR.

#### Existing Value

Based on a combination of recent sales of similar rental buildings in Victoria, the estimated net income generated by the building, the current property assessments, and the typical increase in investment property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$5.4 million. After including a 10% acquisition premium, the minimum cost to the developer would be about \$5.9 million.

#### Estimated Land Value Supported by Apartment at 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to apartment at 2.0 FSR. As shown in the proforma, the estimated land value supported by apartment use is about \$2.4 million which is significantly higher than the existing value.

Therefore, redevelopment of this site to apartment is financially viable.

**Exhibit 9 – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)			
<b>Site and Building Size</b>			
Site Size	22,609	sq.ft.	
	150.00	feet of frontage	
Total Assumed Density	2.00	FSR	
<b>Total Gross floorspace</b>	45,218	sq.ft.	
<b>Commercial floorspace</b>	0		
<b>Market Strata Residential floorspace</b>	45,218	gross square feet	
Net saleable space	38,435	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	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	
<b>Strata Revenue and Value</b>			
Average Sales Price Per Sq. Ft.	\$600	per sq.ft. of net saleable residential space	
<b>Commercial Revenue and Value</b>			
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net for shell space, no TI's	
Capitalization Rate for Retail Space	5.25%		
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00% allowance for vacancy
<b>Pre-Construction Costs</b>			
Allowance for Rezoning Costs	\$100,000		
<b>Construction Costs</b>			
Allowance for Demolition of Existing Buildings	\$300,000	or	\$10 per sq. ft. of existing floorspace
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.6 FSR	
Other Costs 1	\$0		
Site Servicing	\$114,329	or	\$2,500 per metre of frontage
Connection fees	\$50,000		
<b>Hard Construction Costs</b>			
Market Strata Residential Area	\$180	per gross sq.ft. of residential area	
Commercial Area	\$230	per gross sq. ft. of commercial area	
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	\$222	per gross sq.ft.	
Hard Cost Used in Analysis	\$222		
Landscaping	\$113,045	or	\$10 per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)		9.0% of above	
Project Management		3.0% of above	
Car Share Costs	\$0		
Post Construction Holding Costs	\$500	per unit on average of	50% of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs	
<b>Local Government Levies</b>			
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	
<b>Financing Assumptions</b>			
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50 year construction period 100% on costs
Financing fees	1.50%	of financed construction costs	
Financing on Land Acquisition	5.0%	during construction on	100% of land cost
<b>Marketing and Commissions</b>			
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue	
Commissions on commercial sale	2.5%	of commercial value	
Marketing on residential	3.0%	of gross strata market residential revenue	
Leasing commissions on commercial	17.0%	of Year 1 income	
Marketing on commercial	\$25	psf	
<b>Property Taxes</b>			
Tax Rate (res)	0.683%	of assessed value	
Current assessment (Year 1 of analysis)	\$4,302,000		
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$11,530,590	(50% of completed project value)	
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0% of total costs

**Exhibit 9 continued – Land Value Supported by Apartment Development at 2.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$23,061,180
Less commissions and sales costs		\$691,835
Net residential sales revenue		\$22,369,345
Commercial Value		\$0
Commission on Commercial Sale		\$0
Net commercial value		\$0
Total Value Net of Commissions		\$22,369,345
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$300,000
Community Amenity Contribution (CAC)		\$45,218
Other Costs 1		\$0
Site Servicing		\$114,329
Connection fees		\$50,000
Hard construction costs		\$10,029,240
Landscaping		\$113,045
Soft costs		\$958,665
Project Management		\$351,315
Residential Marketing		\$691,835
Commercial Marketing		\$0
Leasing commissions on commercial space		\$0
Car Share		\$0
Post Construction Holding Costs		\$67,500
Contingency on hard and soft costs		\$637,682
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$150,597
DCCs - commercial		\$0
Less property tax allowance during development		\$68,757
Construction financing		\$512,932
Financing fees/costs		\$212,867
Total Project Costs Before Land Related		\$14,403,982
<b>Allowance for Developer's Profit</b>		<b>\$3,007,178</b>
<b>Residual to Land and Land Carry</b>		<b>\$4,958,185</b>
Less financing on land during construction and approvals		\$557,796
Less property purchase tax		\$86,008
<b>Residual Land Value</b>		<b>\$4,314,381</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$95.41</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$190.83</b>

## **Site 7**

Site 7 is located in the 1200 block of Fairfield Road. It is an 18,800 square foot lot improved with a single storey commercial building with surface parking built to an existing density of about 0.5 FSR. We analyzed the viability of redevelopment to 4 Storey mixed-use retail and apartment at 2.0 FSR.

### Existing Value

Based on a combination of recent sales of similar rental buildings in Victoria, the estimated net income generated by the building, the current property assessments, and the typical increase in investment property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$3.0 million. After including a 10% acquisition premium, the minimum cost to the developer would be about \$3.3 million.

### Estimated Land Value Supported by 4 Storey Mixed Use at 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to mixed-use retail and apartment at 2.0 FSR. As shown in the proforma, the estimated land value supported by mixed-use development at 2.0 FSR is about \$2.7 million which is lower than the existing value.

Therefore, redevelopment of this site to 4 Storey mixed use at 2.0 FSR is not financially viable.

**Exhibit 10 – Land Value Supported by 4 Storey Mixed-Use Development at 2.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)					
<b>Site and Building Size</b>					
Site Size	18,804	sq.ft.			
	157	feet of frontage			
Total Assumed Density	2.00	FSR			
<b>Total Gross floorspace</b>	37,608	sq.ft.			
<b>Commercial floorspace</b>	6,581				
<b>Market Strata Residential floorspace</b>	31,027	gross square feet			
Net saleable space	26,373	sq.ft. or	85%	of gross area	
Average Gross unit size	1,001	sq.ft. gross			
Average Net unit size	851	sq.ft.			
Number of units	31	units or			
Total Market Strata Unit Parking Stalls (including visitors)	37	stalls or	1.2	per unit	
Total Commercial Parking Stalls	16	stalls or 1 per	37.5	square metres	
Total Parking Stalls	53	stalls			
Underground/structured parking stalls provided	53	stalls	20,140	square feet	
Surface parking stalls	0	stalls			
<b>Strata Revenue and Value</b>					
Average Sales Price Per Sq. Ft.	\$600	per sq.ft. of net saleable residential space			
<b>Commercial Revenue and Value</b>					
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net			
Capitalization Rate for Retail Space	5.25%				
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00%	allowance for vacancy	
<b>Pre-Construction Costs</b>					
Allowance for Rezoning Costs	\$100,000				
<b>Construction Costs</b>					
Allowance for Demolition of Existing Buildings	\$86,400	or	\$10	per sq. ft. of existing floorspace	
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.5 FSR			
Other Costs 1	\$0				
Site Servicing	\$119,436	or	\$2,500	per metre of frontage	
Connection fees	\$50,000				
<b>Hard Construction Costs</b>					
Market Strata Residential Area	\$180	per gross sq.ft. of residential area			
Commercial Area	\$230				
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	\$238	per gross sq.ft.			
Hard Cost Used in Analysis	\$238				
Landscaping	\$94,020	or	\$10	per sq.ft. on 50% of site	
Soft costs/professional fees (excluding management)		9.0% of above			
Project Management		3.0% of above			
Car Share Costs	\$0				
Post Construction Holding Costs	\$500	per unit on average of	50%	of units	6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs			
<b>Local Government Levies</b>					
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			
<b>Financing Assumptions</b>					
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50	year construction period	100%
Financing fees	1.50%	of financed construction costs			
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost	
<b>Marketing and Commissions</b>					
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue			
Commissions on commercial sale	2.5%	of commercial value			
Marketing on residential	3.0%	of gross strata market residential revenue			
Leasing commissions on commercial	17.0%	of Year 1 income			
Marketing on commercial	\$25	psf			
<b>Property Taxes</b>					
Tax Rate (res)	0.683%	of assessed value			
Tax Rate (comm)	2.146%	of assessed value			
Current assessment (Year 1 of analysis)	\$2,493,300				
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$9,400,433	(50% of completed project value)			
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs	

**Exhibit 10 continued – Land Value Supported by 4 Storey Mixed-Use Development at 2.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$15,823,566
Less commissions and sales costs		\$474,707
Net residential sales revenue		\$15,348,859
Commercial Value		\$2,977,300
Commission on Commercial Sale		\$74,433
Net commercial value		\$2,902,868
Total Value Net of Commissions		\$18,251,727
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$86,400
Community Amenity Contribution (CAC)		\$47,010
Other Costs 1		\$0
Site Servicing		\$119,436
Connection fees		\$50,000
Hard construction costs		\$8,953,510
Landscaping		\$94,020
Soft costs		\$841,534
Project Management		\$308,757
Residential Marketing		\$474,707
Commercial Marketing		\$164,535
Leasing commissions on commercial space		\$27,971
Post Construction Holding Costs		\$46,500
Car Share		\$0
Contingency on hard and soft costs		\$565,719
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$103,333
DCCs - commercial		\$14,173
Less property tax allowance during development		\$44,676
Construction financing		\$451,586
Financing fees/costs		\$187,408
Total Project Costs Before Land Related		\$12,681,275
<b>Allowance for Developer's Profit</b>		<b>\$2,451,633</b>
<b>Residual to Land and Land Carry</b>		<b>\$3,118,819</b>
Less financing on land during construction and approvals		\$350,867
Less property purchase tax		\$53,359
<b>Residual Land Value</b>		<b>\$2,714,593</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$72.18</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$144.36</b>

### **Site 8**

Site 8 is located in the 100 block of Moss Street. It is a 6,000 square foot lot improved with a two storey commercial building with surface parking built to an existing density of about 1.0 FSR. We analyzed the viability of redevelopment to 4 Storey mixed-use retail and apartment at 2.0 FSR.

#### Existing Value

Based on a combination of recent sales of similar rental buildings in Victoria, the estimated net income generated by the building, the current property assessments, and the typical increase in investment property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$1.35 million. After including a 10% acquisition premium, the minimum cost to the developer would be about \$1.5 million.

#### Estimated Land Value Supported by 4 Storey Mixed Use at 2.0 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to mixed-use retail and apartment at 2.0 FSR. As shown in the proforma, the estimated land value supported by mixed-use development at 2.0 FSR is about \$0.9 million which is significantly lower than the existing value.

Therefore, redevelopment of this site to 4 Storey mixed use at 2.0 FSR is not financially viable.

**Exhibit 11 – Land Value Supported by 4 Storey Mixed-Use Development at 2.0 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)				
<b>Site and Building Size</b>				
Site Size	5,931	sq.ft.		
	49	feet of frontage		
Total Assumed Density	2.00	FSR		
<b>Total Gross floorspace</b>	11,862	sq.ft.		
<b>Commercial floorspace (0.2 FSR)</b>	1,186			
<b>Market Strata Residential floorspace</b>	10,676	gross square feet		
Net saleable space	9,074	sq.ft. or	85%	of gross area
Average Gross unit size	1,068	sq.ft. gross		
Average Net unit size	907	sq.ft.		
Number of units	10	units or		
Total Market Strata Unit Parking Stalls (including visitors)	12	stalls or	1.2	per unit
Total Commercial Parking Stalls	3	stalls or 1 per	37.5	square metres
Total Parking Stalls	15	stalls		
Underground/structured parking stalls provided	15	stalls	5,700	square feet
Surface parking stalls	0	stalls		
<b>Strata Revenue and Value</b>				
Average Sales Price Per Sq. Ft.	\$600	per sq.ft. of net saleable residential space		
<b>Commercial Revenue and Value</b>				
Average Retail Lease Rate for Retail Space	\$25.00	per sq. ft. net		
Capitalization Rate for Retail Space	5.25%			
Value of Retail Space on Lease Up	\$452	per sq. ft. of leasable area, with	5.00%	allowance for vacancy
<b>Pre-Construction Costs</b>				
Allowance for Rezoning Costs	\$100,000			
<b>Construction Costs</b>				
Allowance for Demolition of Existing Buildings	\$60,090	or	\$10	per sq. ft. of existing floorspace
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.5 FSR		
Other Costs 1	\$0			
Site Servicing	\$37,671	or	\$2,500	per metre of frontage
Connection fees	\$50,000			
<b>Hard Construction Costs</b>				
Market Strata Residential Area	\$180	per gross sq.ft. of residential area		
Commercial Area	\$230	per gross sq.ft. of commercial area		
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	\$229	per gross sq.ft.		
Hard Cost Used in Analysis	\$229			
Landscaping	\$29,655	or	\$10	per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)	9.0%	of above		
Project Management	3.0%	of above		
Car Share Costs	\$0			
Post Construction Holding Costs	\$500	per unit on average of	50%	of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs		
<b>Local Government Levies</b>				
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		
<b>Financing Assumptions</b>				
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50	year construction period 100% on costs
Financing fees	1.50%	of financed construction costs		
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost
<b>Marketing and Commissions</b>				
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue		
Commissions on commercial sale	2.5%	of commercial value		
Marketing on residential	3.0%	of gross strata market residential revenue		
Leasing commissions on commercial	17.0%	of Year 1 income		
Marketing on commercial	\$25	psf		
<b>Property Taxes</b>				
Tax Rate (res)	0.683%	of assessed value		
Tax Rate (comm)	2.146%	of assessed value		
Current assessment (Year 1 of analysis)	\$1,005,000			
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$2,990,636	(50% of completed project value)		
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs

**Exhibit 11 continued – Land Value Supported by 4 Storey Mixed-Use Development at 2.0 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$5,444,658
Less commissions and sales costs		\$163,340
Net residential sales revenue		\$5,281,318
Commercial Value		\$536,614
Commission on Commercial Sale		\$13,415
Net commercial value		\$523,199
Total Value Net of Commissions		\$5,804,517
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$60,090
Community Amenity Contribution (CAC)		\$14,828
Other Costs 1		\$0
Site Servicing		\$37,671
Connection fees		\$50,000
Hard construction costs		\$2,719,470
Landscaping		\$29,655
Soft costs		\$262,054
Project Management		\$98,213
Residential Marketing		\$163,340
Commercial Marketing		\$29,655
Leasing commissions on commercial space		\$5,041
Post Construction Holding Costs		\$15,000
Car Share		\$0
Contingency on hard and soft costs		\$179,251
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$35,555
DCCs - commercial		\$2,554
Less property tax allowance during development		\$8,576
Construction financing		\$142,911
Financing fees/costs		\$59,308
Total Project Costs Before Land Related		\$4,013,173
<b>Allowance for Developer's Profit</b>		<b>\$779,958</b>
<b>Residual to Land and Land Carry</b>		<b>\$1,011,386</b>
Less financing on land during construction and approvals		\$113,781
Less property purchase tax		\$15,952
<b>Residual Land Value</b>		<b>\$881,653</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$74.33</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$148.65</b>

## **Site 9**

Site 9 is located in the 200 block of Cook Street. It is a 34,800 square foot site improved with older retail space and four rental apartment units built to an existing density of about 0.5 FSR. We analyzed the viability of redevelopment to 6 Storey mixed-use retail and apartment at 2.5 FSR.

### Existing Value

Based on a combination of recent sales of similar rental buildings in Victoria, the estimated net income generated by the building, the current property assessments, and the typical increase in investment property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$6.3 million. After including a 10% acquisition premium, the minimum cost to the developer would be about \$6.9 million.

### Estimated Land Value Supported by 6 Storey Mixed Use at 2.5 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to mixed use retail and apartment at 2.5 FSR. As shown in the proforma, the estimated land value supported by mixed-use development at 2.5 FSR is about \$7.5 million which is significantly higher than the existing value.

Therefore, redevelopment of this site to 6 Storey mixed use at 2.5 FSR is financially viable.

**Exhibit 12 – Land Value Supported by 6 Storey Mixed-Use Development at 2.5 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)			
<b>Site and Building Size</b>			
Site Size	34,872	sq.ft.	
	291	feet of frontage	
Total Assumed Density	2.50	FSR	
<b>Total Gross floorspace</b>	87,180	sq.ft.	
<b>Commercial floorspace</b>	12,205		
<b>Market Strata Residential floorspace</b>	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	
<b>Strata Revenue and Value</b>			
Average Sales Price Per Sq. Ft.	\$620	per sq.ft. of net saleable residential space	
<b>Commercial Revenue and Value</b>			
Average Retail Lease Rate for Retail Space	\$35.00	per sq. ft. net	
Capitalization Rate for Retail Space	5.25%		
Value of Retail Space on Lease Up	\$633	per sq. ft. of leasable area, with	5.00% allowance for vacancy
<b>Pre-Construction Costs</b>			
Allowance for Rezoning Costs	\$100,000		
<b>Construction Costs</b>			
Allowance for Demolition of Existing Buildings	\$136,460		\$10 per sq. ft. of existing floorspace
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.5 FSR	
Other Costs 1	\$0		
On-Site Servicing (Upgrade of adjacent roads/sidewalks/etc)	\$221,494	or	\$2,500 per metre of frontage
Connection fees	\$50,000		
<b>Hard Construction Costs</b>			
Market Strata Residential Area	\$200	per gross sq.ft. of residential area	
Commercial Area	\$230		
Cost Per Underground Parking Stall	\$37,500	per underground/structured parking stall	
Cost Per Surface Parking Stall	\$7,500	per at grade stall	
Overall Costs Per Square Foot	\$256	per gross sq.ft.	
Hard Cost Used in Analysis	\$256		
Landscaping	\$174,360	or	\$10 per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)	9.0%	of above	
Project Management	3.0%	of above	
Car Share Costs	\$0		
Post Construction Holding Costs	\$500	per unit on average of	50% of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs	
<b>Local Government Levies</b>			
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	
<b>Financing Assumptions</b>			
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50 year construction period 100% on costs
Financing fees	1.50%	of financed construction costs	
Financing on Land Acquisition	5.0%	during construction on	100% of land cost
<b>Marketing and Commissions</b>			
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue	
Commissions on commercial sale	2.5%	of commercial value	
Marketing on residential	3.0%	of gross strata market residential revenue	
Leasing commissions on commercial	17.0%	of Year 1 income	
Marketing on commercial	\$25	psf	
<b>Property Taxes</b>			
Tax Rate (res)	0.683%	of assessed value	
Tax Rate (comm)	2.146%	of assessed value	
Current assessment (Year 1 of analysis)	\$4,596,200		
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$23,620,840	(50% of completed project value)	
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0% of total costs

**Exhibit 12 continued – Land Value Supported by 6 Storey Mixed-Use Development at 2.5 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$39,511,720
Less commissions and sales costs		\$1,185,352
Net residential sales revenue		\$38,326,368
Commercial Value		\$7,729,960
Commission on Commercial Sale		\$193,249
Net commercial value		\$7,536,711
Total Value Net of Commissions		\$45,863,079
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$136,460
Community Amenity Contribution (CAC)		\$174,360
Other Costs 1		\$0
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)		\$221,494
Connection fees		\$50,000
Hard construction costs		\$22,302,156
Landscaping		\$174,360
Soft costs		\$2,075,295
Project Management		\$757,024
Residential Marketing		\$1,185,352
Commercial Marketing		\$305,130
Leasing commissions on commercial space		\$72,621
Post Construction Holding Costs		\$112,500
Car Share		\$0
Contingency on hard and soft costs		\$1,383,338
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$249,701
DCCs - commercial		\$26,283
Less property tax allowance during development		\$84,793
Construction financing		\$1,102,907
Financing fees/costs		\$457,707
Total Project Costs Before Land Related		\$30,971,480
<b>Allowance for Developer's Profit</b>		<b>\$6,160,315</b>
<b>Residual to Land and Land Carry</b>		<b>\$8,731,284</b>
Less financing on land during construction and approvals		\$982,269
Less property purchase tax		\$210,470
<b>Residual Land Value</b>		<b>\$7,538,544</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$86.47</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$216.18</b>

**Site 10**

Site 10 is located in the 300 block of Cook Street. It is an 11,900 square foot site improved with older retail space and surface parking built to an existing density of about 0.3 FSR. We analyzed the viability of redevelopment to 6 Storey mixed-use retail and apartment at 2.5 FSR.

Existing Value

Based on a combination of recent sales of similar rental buildings in Victoria, the estimated net income generated by the building, the current property assessments, and the typical increase in investment property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$2.2 million. After including a 10% acquisition premium, the minimum cost to the developer would be about \$2.4 million.

Estimated Land Value Supported by 6 Storey Mixed Use at 2.5 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to mixed use retail and apartment at 2.5 FSR. As shown in the proforma, the estimated land value supported by mixed-use development at 2.5 FSR is about \$2.5 million which is higher than the existing value.

Therefore, redevelopment of this site to 6 Storey mixed use at 2.5 FSR is financially viable.

**Exhibit 13 – Land Value Supported by 6 Storey Mixed-Use Development at 2.5 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)				
<b>Site and Building Size</b>				
Site Size	11,907	sq.ft.		
	99	feet of frontage		
Total Assumed Density	2.50	FSR		
<b>Total Gross floorspace</b>	29,768	sq.ft.		
<b>Commercial floorspace</b>	4,167			
<b>Market Strata Residential floorspace</b>	25,600	gross square feet		
Net saleable space	21,760	sq.ft. or	85%	of gross area
Average Gross unit size	985	sq.ft. gross		
Average Net unit size	837	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	10	stalls or 1 per	37.5	square metres
Total Parking Stalls	41	stalls		
Underground/structured parking stalls provided	41	stalls	15,580	square feet
Surface parking stalls	0	stalls		
<b>Strata Revenue and Value</b>				
Average Sales Price Per Sq. Ft.	\$620	per sq.ft. of net saleable residential space		
<b>Commercial Revenue and Value</b>				
Average Retail Lease Rate for Retail Space	\$35.00	per sq. ft. net		
Capitalization Rate for Retail Space	5.25%			
Value of Retail Space on Lease Up	\$633	per sq. ft. of leasable area, with	5.00%	allowance for vacancy
<b>Pre-Construction Costs</b>				
Allowance for Rezoning Costs	\$100,000			
<b>Construction Costs</b>				
Allowance for Demolition of Existing Buildings	\$40,000			
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.5 FSR		
Other Costs 1	\$0			
Site Servicing	\$75,629	or	\$2,500	per metre of frontage
Connection fees	\$50,000			
<b>Hard Construction Costs</b>				
Market Strata Residential Area	\$200	per gross sq.ft. of residential area		
Commercial Area	\$230			
Cost Per Underground Parking Stall	\$37,500	per underground/structured parking stall		
Cost Per Surface Parking Stall	\$7,500	per at grade stall		
Overall Costs Per Square Foot	\$256	per gross sq.ft.		
Hard Cost Used in Analysis	\$256			
Landscaping	\$59,535	or	\$10	per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)	9.0%	of above		
Project Management	3.0%	of above		
Car Share Costs	\$0			
Post Construction Holding Costs	\$500	per unit on average of	50%	of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs		
<b>Local Government Levies</b>				
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		
<b>Financing Assumptions</b>				
Financing rate on construction costs	5.0%	on 50% of costs, assuming a	1.50	year construction period
		and a total loan of	100%	on costs
Financing fees	1.50%	of financed construction costs		
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost
<b>Marketing and Commissions</b>				
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue		
Commissions on commercial sale	2.5%	of commercial value		
Marketing on residential	3.0%	of gross strata market residential revenue		
Leasing commissions on commercial	17.0%	of Year 1 income		
Marketing on commercial	\$25	psf		
<b>Property Taxes</b>				
Tax Rate (res)	0.683%	of assessed value		
Tax Rate (comm)	2.146%	of assessed value		
Current assessment (Year 1 of analysis)	\$1,894,000			
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$8,065,306	(50% of completed project value)		
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs

**Exhibit 13 continued – Land Value Supported by 6 Storey Mixed-Use Development at 2.5 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$13,491,226
Less commissions and sales costs		\$404,737
Net residential sales revenue		\$13,086,490
Commercial Value		\$2,639,385
Commission on Commercial Sale		\$65,985
Net commercial value		\$2,573,400
Total Value Net of Commissions		\$15,659,890
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$40,000
Community Amenity Contribution (CAC)		\$59,535
Other Costs 1		\$0
Site Servicing		\$75,629
Connection fees		\$50,000
Hard construction costs		\$7,616,024
Landscaping		\$59,535
Soft costs		\$711,065
Project Management		\$261,354
Residential Marketing		\$404,737
Commercial Marketing		\$104,186
Leasing commissions on commercial space		\$24,796
Post Construction Holding Costs		\$39,000
Car Share		\$0
Contingency on hard and soft costs		\$477,293
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$85,260
DCCs - commercial		\$8,974
Less property tax allowance during development		\$29,928
Construction financing		\$380,524
Financing fees/costs		\$157,918
Total Project Costs Before Land Related		\$10,685,758
<b>Allowance for Developer's Profit</b>		<b>\$2,103,432</b>
<b>Residual to Land and Land Carry</b>		<b>\$2,870,700</b>
Less financing on land during construction and approvals		\$322,954
Less property purchase tax		\$54,432
<b>Residual Land Value</b>		<b>\$2,493,314</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$83.76</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$209.40</b>

### **Site 11**

Site 11 is located in the 200 block of Cook Street. It is an 19,050 square foot site improved with two older rental apartment buildings with 24 units built to an existing density of about 1.3 FSR. We analyzed the viability of redevelopment to 6 Storey mixed-use retail and apartment at 2.5 FSR.

#### Existing Value

Based on a combination of recent sales of similar rental buildings in Victoria, the estimated net income generated by the building, the current property assessments, and the typical increase in investment property values in Victoria since the assessments were completed, we estimate that this site has a value of about \$4.6 million. After including a 10% acquisition premium, the minimum cost to the developer would be about \$5.0 million.

#### Estimated Land Value Supported by 6 Storey Mixed Use at 2.5 FSR

The following proforma shows our estimate of the site's value if rezoned and redeveloped to mixed use retail and apartment at 2.5 FSR. As shown in the proforma, the estimated land value supported by mixed-use development at 2.5 FSR is about \$3.9 million which is significantly lower than the existing value.

Therefore, redevelopment of this site to 6 Storey mixed use at 2.5 FSR is not financially viable.

**Exhibit 14 – Land Value Supported by 6 Storey Mixed-Use Development at 2.5 FSR**

<b>Major Assumptions</b> (shading indicates figures that are inputs; unshaded cells are formulas)				
<b>Site and Building Size</b>				
Site Size	19,050	sq.ft.		
	150	feet of frontage		
Total Assumed Density	2.50	FSR		
<b>Total Gross floorspace</b>	47,625	sq.ft.		
<b>Commercial floorspace</b>	6,668			
<b>Market Strata Residential floorspace</b>	40,958	gross square feet		
Net saleable space	34,814	sq.ft. or	85%	of gross area
Average Gross unit size	999	sq.ft. gross		
Average Net unit size	849	sq.ft.		
Number of units	41	units or		
Total Market Strata Unit Parking Stalls (including visitors)	49	stalls or	1.2	per unit
Total Commercial Parking Stalls	17	stalls or 1 per	37.5	square metres
Total Parking Stalls	66	stalls		
Underground/structured parking stalls provided	66	stalls	26,400	square feet
Surface parking stalls	0	stalls		
<b>Strata Revenue and Value</b>				
Average Sales Price Per Sq. Ft.	\$620	per sq.ft. of net saleable residential space		
<b>Commercial Revenue and Value</b>				
Average Retail Lease Rate for Retail Space	\$35.00	per sq. ft. net for shell space, no TI's		
Capitalization Rate for Retail Space	5.25%			
Value of Retail Space on Lease Up	\$633	per sq. ft. of leasable area, with	5.00%	allowance for vacancy
<b>Pre-Construction Costs</b>				
Allowance for Rezoning Costs	\$100,000			
<b>Construction Costs</b>				
Allowance for Demolition of Existing Buildings	\$252,000	or	\$10	per sq.ft. existing floorspace
Community Amenity Contribution (CAC)	\$5	per sq. ft. of additional density above 1.5 FSR		
Other Costs 1	\$0			
Site Servicing	\$114,329	or	\$2,500	per metre of frontage
Connection fees	\$50,000			
<b>Hard Construction Costs</b>				
Market Strata Residential Area	\$200	per gross sq.ft. of residential area		
Commercial Area	\$230	per gross sq.ft. of commercial area		
Cost Per Underground Parking Stall	\$37,500	per underground/structured parking stall		
Cost Per Surface Parking Stall	\$7,500	per at grade stall		
Overall Costs Per Square Foot	\$256	per gross sq.ft.		
Hard Cost Used in Analysis	\$256			
Landscaping	\$95,250	or	\$10	per sq.ft. on 50% of site
Soft costs/professional fees (excluding management)		9.0% of above		
Project Management		3.0% of above		
Car Share Costs	\$0			
Post Construction Holding Costs	\$500	per unit on average of	50%	of units 6 months
Contingency on hard and soft costs	5.0%	of hard and soft costs		
<b>Local Government Levies</b>				
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		
<b>Financing Assumptions</b>				
Financing rate on construction costs	5.0%	on 50% of costs, assuming a and a total loan of	1.50	year construction period 100% on costs
Financing fees	1.50%	of financed construction costs		
Financing on Land Acquisition	5.0%	during construction on	100%	of land cost
<b>Marketing and Commissions</b>				
Commissions/sales costs on residential	3.0%	of gross strata market residential revenue		
Commissions on commercial sale	2.5%	of commercial value		
Marketing on residential	3.0%	of gross strata market residential revenue		
Leasing commissions on commercial	17.0%	of Year 1 income		
Marketing on commercial	\$25	psf		
<b>Property Taxes</b>				
Tax Rate (res)	0.683%	of assessed value		
Tax Rate (comm)	2.146%	of assessed value		
Current assessment (Year 1 of analysis)	\$3,743,000			
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$12,903,676	(50% of completed project value)		
<b>Allowance for Developer's Profit</b>	13.0%	of gross revenue, or	15.0%	of total costs

**Exhibit 14 continued – Land Value Supported by 6 Storey Mixed-Use Development at 2.5 FSR**

<b>Analysis</b>		
<b>Revenue</b>		
Gross Market Residential Sales Revenue		\$21,584,603
Less commissions and sales costs		\$647,538
Net residential sales revenue		\$20,937,064
Commercial Value		\$4,222,750
Commission on Commercial Sale		\$105,569
Net commercial value		\$4,117,181
Total Value Net of Commissions		\$25,054,246
<b>Project Costs</b>		
Allowance for Rezoning Costs		\$100,000
Allowance for Demolition of Existing Buildings		\$252,000
Community Amenity Contribution (CAC)		\$95,250
Other Costs 1		\$0
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)		\$114,329
Connection fees		\$50,000
Hard construction costs		\$12,200,025
Landscaping		\$95,250
Soft costs		\$1,152,617
Project Management		\$421,784
Residential Marketing		\$647,538
Commercial Marketing		\$166,688
Leasing commissions on commercial space		\$39,672
Post Construction Holding Costs		\$61,500
Car Share		\$0
Contingency on hard and soft costs		\$769,833
Regional Levy - Apartment		\$0
Regional Levy - Commercial		\$0
DCCs - residential		\$136,408
DCCs - commercial		\$14,358
Less property tax allowance during development		\$50,024
Construction financing		\$613,773
Financing fees/costs		\$254,716
Total Project Costs Before Land Related		\$17,235,763
<b>Allowance for Developer's Profit</b>		<b>\$3,365,279</b>
<b>Residual to Land and Land Carry</b>		<b>\$4,453,204</b>
Less financing on land during construction and approvals		\$500,985
Less property purchase tax		\$96,567
<b>Residual Land Value</b>		<b>\$3,855,652</b>
<b>Residual Value per sq.ft. buildable</b>		<b>\$80.96</b>
<b>Residual Value per sq.ft. of site</b>		<b>\$202.40</b>