

Mayor and Council
Victoria, BC.

April 8, 2018

1201 Fort Street / 1050 Pentrelew Place Development Proposal

Dear Mayor and Council,

I am dismayed by the large amount of wealth created by the rezoning awarded to the developer compared to the only sizable community amenity mentioned in this exchange between the applicant and the City: affordable housing. The lack of affordable housing in the proposal is proven by the applicant's offer to build ten affordable units somewhere else within two years. However, in the event all of these units are not built, then a penalty of \$25,000 per unit will be paid to the City. The total exchange of the wealth awarded to the developer of approximately \$32 million for the extra floor space requested and the total amount of the penalty of \$250,000.00 is not justifiable.

I have been doing some research into how other cities in British Columbia do business with Developers because I am not sure that City Staff is properly looking after our best interest.

Community Amenity Contributions.

At the first proposal's COTW the Mayor and Council were informed by Planning Staff that there is no Land Lift in this proposal, that there is no increase in value to the property when the zoning is changed. In effect, the City will not gain anything financially because the developer does not gain anything when the zoning is changed. The land is worth exactly the same. For most of us, this defies common sense. It also begs the question as to why the developer is even bothering to change the zoning if there is nothing to gain.

Well, why don't we assume for a moment that the applicant understands City Hall pretty well. Why does he want to change the zoning? The answer is a commonplace. Simply put, rezoning will allow the developer to build more living-space on the land. And, the more that can be built on it, the more money there is to be made. By increasing the density, the developer is, in essence, creating 'more land' on which to build.

And, even more interestingly, the greater the amount that can be built on the rezoned land, the lesser the cost of the original parcel of land purchased becomes compared to the housing units created. If the land costs \$100,000.00 and you build 2 housing units on it, the land cost for each is \$50,000. If you build 5 housing units on it, the land cost becomes \$20,000 each.

WHAT IS THIS COMMUNITY AMENITY CONTRIBUTION (CAC)?

CACs are a voluntary financial contribution made by an applicant to a municipality at the time of rezoning of a property to assist with offsetting the burden of the development on the community. CAC programs typically apply only to new residential density created as part of development. Many Metro Vancouver municipalities have CAC programs, each of which varies in terms of some of the details of how it is applied. These funds are used to build and expand park space, libraries, childcare facilities, community centres, transportation services, cultural facilities, neighbourhood houses, affordable housing.

Other jurisdictions calculate the CAC on the actual amount of residential floor space built over what existed prior to the development. It is very straight-forward and very easy to understand. In the most open and straight-forward cases, the CAC is a standard amount per square foot of new build.

Here is what we should be charging based on \$5.00 per square foot (or \$5 x 10.76 = \$53.80 per sq meter, as 1 square meter = 10.76 square feet), if we charged based on the actual building done. I have used the residential gross floor space in the proposal less the floor space in the house at 1050 Pentrelew to find the net new residential floor space. (All my figures are approximate and are used for illustrative purposes only.)

Community Amenity Contribution (CAC)

| Buildable | Credit for Existing | Net New Buildable | Rate | CAC |
|-------------|---------------------|-------------------|----------|--------------|
| 10,156 sq m | 275 sq m | 9881 sq m | \$ 53.80 | \$531,598.00 |

BONUS DENSITY

Density bonusing is used as a zoning tool that permits developers to build more floor space than normally allowed, over the current zoning, say, in exchange for amenities and affordable housing needed by the community. Amenities can be community centres, libraries, parks, childcare centres, affordable housing and more. Often, the simplest formula for the contribution is to use the cost of the land multiplied by a discounted rate of 50%.

**Cost of land \$8,000,000 divided by size of land 7,850 m
= \$1019 per sq m x 50% land value. (\$510 per meter)**

| Buildable | Zoned Density | Extra Density | Rate | Bonus Density |
|-------------|---------------|---------------|-------|----------------|
| 10,156 sq m | 6,153 sq m | 4003 sq m | \$510 | \$2,041,530.00 |

The price of \$750 per sq ft is probably below the selling price of the 1201 Fort Street proposal, less for the bottom floors and higher for the top floors and the penthouses. This predicts a selling price in the range of \$82 million for the development.

(10,156 sq m x 10.76 = 109,279 sq feet. Multiply this square footage by \$750 is \$81.95 million)

The Bonus Density of \$2 million is about 2.4% of the total selling price – the City's share of the 4003 extra square meters awarded to the developer by the rezoning.

Imagine being given 4,003 square meters (43,072 square feet) of buildable space for free!

The developer earns approximately \$32 million extra from the increased zoning.

(4003 sq m x 10.76 = 43,072 sq feet. Multiply this by \$750 for an extra income to the developer of \$32.3 million)

Of course, you have to remember, that the bulk of this extra density will be on the higher floors, which will net the developer an even higher gross income than stated here. This is only the beginning of the profit potential from this application, but it is enough to give us some comparisons.

These two contributions (that total \$2.57 million) for pre-determined amenities given to the community will earn an extra \$32.3 million for the development. This \$2.57 million for the City will build a lot more affordable housing units than the \$250,000.00 penalty the developer would have had to pay if he fails to build 10 affordable units somewhere else at sometime in the future, This \$250,000.00 is the major amenity the developer is offering to make this proposal happen. It is 10% of the level of contributions in the Lower Mainland. The offer of \$250,000.00 is about 3% of the selling price of the project.

I started this letter with a very simple premise: that the applicant understands City Hall pretty well. Our City Staff is proud to have negotiated an affordable housing contribution of 10 units. We should be grateful, because as the Mayor noted in the Times-Colonist April 8, 2018, "there is no requirement for the affordable units." The simple fact that the affordable housing is to be built elsewhere testifies to the fact that this development will not contain any affordable housing.

Why does the City of Victoria not calculate the CAC and the Density Bonus as other jurisdictions in British Columbia? Why do we leave so much on the table when we negotiate with developers? There is no shortage of development in the Lower Mainland, where these voluntary contributions are commonplace. Why are we impoverishing ourselves? Remarkably, applying these contributions has not slowed down building in the Lower Mainland, nor is it cited as a reason why prices there

keep rising so quickly. All you have to do is reference the report published by the Union of B.C. Municipalities in January 2018.

The Development Proposal for 1201 Fort Street could easily net the City \$2.57 million if the CAC and Density Bonus were calculated on the real value of what exists now, on what the current zoning allows and on the increase the Developer wants in order to build more.

I understand that Councillors are unwilling to consider this application based on the failed non-existent policy of zero income from increased density awarded to developers. And, that there is no path to developing a better working policy.

I ask you, therefore, to **decline this application** because there is no affordable housing on this site, which is acknowledged by the applicant's offer to build ten affordable units somewhere else, or pay a penalty of \$25,000.00 for each unit not built within 2 years.

I ask you to **decline this application** because this offer of \$250,000 (the cash value of ten affordable units) is far too small in comparison to the wealth awarded to the developer of increased zoning making the proposal worth in the range of \$32 million more that it would otherwise be worth.

To gift the applicant \$32 million extra for only \$250,000.00 in community amenities is not justifiable and is too shockingly disproportionate for me to support. I do not think that you should support it either.

Thank you for reading my letter.

Don Cal
1059 Pentrelew Place

www.Pentrelew.com