

westbank

January 17, 2005

City of Vancouver
Planning Department
#406 - 515 West 10th Avenue
Vancouver, BC V5Z 4A8

Attention: Mr. Larry Beasley

Dear Larry,

Re: 201 Burrard Street – CD-1 Text Amendment

Further to our meeting with yourself, Mike Flanigan and Phil Mondor last Friday afternoon, we understand that some City Council and senior City staff members may have expressed some additional concerns (not expressed in the staff Policy Report dated November 30, 2004) over the perceived lack of a Community Amenity Contribution in connection with our current application for a CD-1 text amendment.

We offer the following comments in connection with this potential concern:

- **Coal Harbour Amenity Contributions** – the Coal Harbour Development currently has 4.6 million square feet of aggregate development rights and is contributing approximately \$22.00 per square foot in aggregate community amenities and public benefits, including roads, parks, seawall, etc. We suggest that you compare this cost of \$22.00 psf to the current City aggregate DCL of approximately \$9.00 psf. Moreover, as part of that contribution, approximately \$8.7 million was earmarked for an arts complex, an amenity which this area will not be receiving the benefit of. With this project we will also be providing an estimated \$1.7 million payment in lieu for a daycare facility. Accordingly, we believe that this contribution package is consistent with the City policies and practice.



- **Reduction in Residential Unit Count** – The Coal Harbour ODP envisioned approximately 2,367 residential (owner-occupied and rental) units in Coal Harbour. This figure was used in determining the amount of park space and other community levies. The actual number of units constructed, or anticipated to be constructed (inclusive of the live-work units which are the subject of our current CD-1 text amendment application), is far fewer at approximately 2,007, or 85%, of the number anticipated under the ODP. This represents an overpayment of approximately \$5.0 million in terms of originally anticipated park space and other amenities.
- **Hotel Economics** – The current market for constructing stand-alone, single-use large hotels in North America is very weak, which is why most of the developments being built are hotel/residential mixed-use projects with relatively small hotel components. This combination of the live-work component with the hotel makes the project more economically feasible. Current market conditions for large hotels suggest that it is less costly to buy existing hotel product than build a new hotel. The 201 Burrard Street site is encumbered by a covenant requiring the construction of a large hotel, with a minimum of 415 rooms, in favour of the adjacent Vancouver Convention Centre Expansion Project. Without including the live-work component, we do not believe a hotel will be constructed on this site in the foreseeable future.

It is expected that this mixed-use project will create approximately 2,000 person-years of employment during construction and an estimated 500 full and part time hotel jobs when completed.

- **Land Lift** – The strong live-work market provides the catalyst to the development of this site by making the project financially viable. Our analysis of the change in land value due to the requested rezoning shows that while there is an increase in value of the live-work



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component, this increase is largely offset by the reduction in land value of the hotel component.

As the City is fully aware, the cost of construction has exploded over the last 24 months. As an example, the cost of concrete forming on the Shangri-La project as compared to Shaw Tower is slightly over double. Almost all components of the high-rise concrete construction industry are facing significant increases. Such increases in cost and the tapering off on the demand side, make the development of a stand-alone hotel unfeasible. If the City was to look at the most recent sale of a 5-Star Hotel, the Pan Pacific, compared to the cost of constructing a new hotel of similar quality, there would be a deficit of more than \$100,000.00 per room.

In summary, we feel there is not a meaningful lift in the value of this site through the requested text amendment when all the above facts are taken into consideration.

However, in order to allow the hotel/live-work project to proceed in a manner to meet the needs of the expanded convention centre and the 2010 Winter Olympics we are prepared to offer a \$1 million contribution to the City as additional Community Amenity Contribution. We are prepared to work with City staff to settle how the contribution should be characterized and allocated.

Yours truly,
WESTBANK PROJECTS CORP.



Ian Gillespie
President

cc: Graeme Stamp – Fairmont Developments Ltd.
John Ryan – Fairmont Developments Ltd.

