

MEMORANDUM

March 6, 2008

TO: Mayor and Council

CC: J. Rogers, City Manager
J. Andrews, Deputy City Manager
J. Ridge, Deputy City Manager
S. Baxter, City Clerk
B. Toderian, Director of Planning
L. Best, Director, Corporate Communications
J. Young, Assistant Director, Corporate Communications
V. Potter, Senior Rezoning Planner

FROM: Michael Flanigan, Director of Real Estate Services

SUBJECT: Evaluation and analysis of developers' pro forma and methodology used for calculation of heritage compensation - Comparison of approaches used at 3838 Cypress Street ("Greencroft") and 3238 Granville Street and the westerly portion of 1402 McRae Avenue ("1402 McRae") - CD-1 Rezoning, Designation and Heritage Revitalization Agreement

At the Public Hearing on Tuesday February 19th, 2008 Council requested that staff report back on the approaches used in evaluating the developer's pro forma, and whether there was any difference in those approaches used between the Greencroft heritage revitalization agreement ("HRA") and the proposed HRA for 3238 Granville Street and the westerly portion of 1402 McRae Avenue (collectively known as "1402 McRae").

Comparison of Approaches:

The approach used in evaluating 1402 McRae has been reported in the memorandum to Council dated January 31, 2007 and was undertaken in accordance with the Heritage Policies and Guidelines. The Greencroft HRA pro forma evaluation was also undertaken in accordance with the Heritage Policies and Guidelines.

With Greencroft, while the pro-forma evaluation was conducted similarly to the 1402 McRae application, the conclusions and recommendation were different. In the Greencroft instance, it was determined that from an urban design perspective, not all of the density could be accommodated on site, and Council subsequently approved a transfer of density outside of *First Shaughnessy*. This represented a departure from policy.

In short, there was no difference between the two HRA's with regard to pro forma evaluation. In both cases the unencumbered land values were estimated as at the date of evaluation

using the Market Comparison Approach. However, in the case of Greencroft because the anticipated date of commencement of the project was delayed because of the requirement to seek Council approval to an exception to the Transfer of Density Policy it was agreed with the developer that the extra holding costs associated with the time delay would also be included in the amount of transferable bonus density.

In the 1402 McRae case, it was concluded from the pro forma evaluation that the compensatory additional density could be accommodated on the site, and therefore pro forma analysis seeks to determine the maximum on site density required to provide the appropriate level of compensation. As Council is aware, the pro forma review and analysis by staff was concluded in 2006. Given the public interest in this file, staff anticipated questions concerning the pro forma review and analysis and whether its conclusions would be different if undertaken in 2008. To this end, an update of the evaluation was completed by staff in January 2008 and this evaluation concluded the Sales Revenue for the westerly townhouse development would be in the range of \$800 to \$850 per sq.ft; total Hard and Soft costs were in the range of \$415 to \$425 per sq.ft excluding financing costs; Developers Profit of 15% on development costs including land; and Heritage premium costs of \$1.4 million be incurred by the developer on the heritage house. The 2008 staff evaluation came to the same conclusion as the original 2006 analysis which supported the form of development proposed in the CD-1 Rezoning, Designation and Heritage Revitalization Agreement.

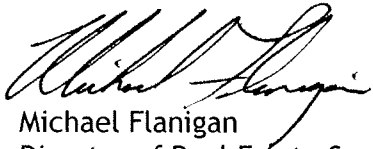
Review of The Spaxman Consulting Group pro forma analysis:

Mr. Spaxman, of The Spaxman Consulting Group has submitted a 2008 pro forma evaluation (please refer to "Appendix 2 - Heritage Density Analysis Modelled Using Macintosh Appraisals Values" of the letter dated February 8, 2008 from the BTY Group to The Spaxman Consulting Group attached to the Public Hearing Package distributed at the February 14, 2008 Public Hearing) which concludes that only a 19,000 sq.ft townhouse scheme (11 units) on Lot 1 is justified, with the existing heritage house to remain in situ straddling Lots 2 and 2A. The conclusions of their evaluation are not supported by City staff for the following reasons; the developer, unencumbered by the heritage house has the ability to demolish the existing improvements and to develop the total site to 0.45 FSR as three Shaughnessy mansions, with a total buildable area of 46,758 buildable sq.ft. Under the Spaxman Consulting Group proposal the overall site FSR will be reduced by 35% to 0.29 FSR of total site. Furthermore, on Lots 2 and 2A which have been identified as having 80% of the total site value, the owner will have absolutely no development rights as the owner's house will remain in situ, and be heritage designated with the requirement to incur premium heritage costs associated with preservation of the house and landscaped areas. As compensation, the Spaxman Consulting Group evaluation allows the owner to develop 0.47 FSR of townhouses on Lot 1 instead of a 0.45 FSR Shaughnessy mansion allowed under the current zoning. This equates to a 4% increase in the density of Lot 1. Given that sales revenues per sq.ft. achieved on new Shaughnessy mansion's are not significantly different than revenues anticipated for the new townhouses it is not possible that an increase of 0.2 in the FSR of Lot 1 proposed by the Spaxman Consulting Group would generate the required level of compensation for heritage retention and preservation. Consequently, staff can not support the conclusions of the Spaxman Consulting Group.

In summary, the methodology used to assess the pro formas submitted for the Greencroft project and this application was the same, both consistent with Heritage Policies and Guidelines. How the heritage compensation would be provided is different, with the Greencroft project receiving transferable density outside of First Shaughnessy and the McRae application proposing a shift of density from one part of the site to another, in a townhouse

form. Staff will be available at the Public hearing on March 11, 2008 to address questions pertaining to this memorandum.

Respectfully submitted,



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