

2538 Birch Street

Presentation by Ian Crook



PROFORMA 28 FLOOR MIRHPP APARTMENT DEVELOPMENT PROFITABILITY ANALYSIS
USING DIFFERENT CAP RATES AND CAPITAL STRUCTURES

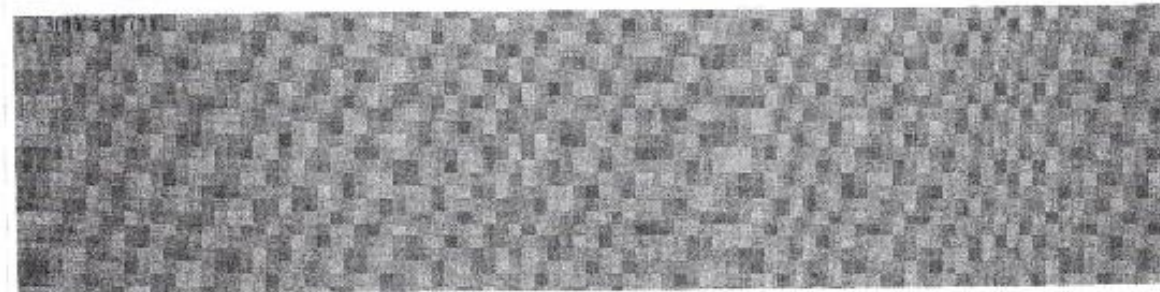
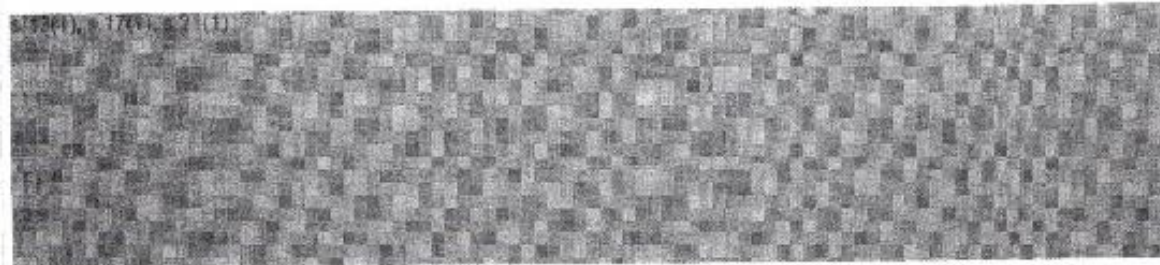
	BASE CASE		2 ND MORTGAGE SCENARIO	
TOTAL PROJECTED RENTAL REVENUE (\$/yr)	7,496,000	7,496,000	7,496,000	7,496,000
EXPENSES				
Operating Costs (incl vacancy allow)	1,242,000	1,242,000	1,242,000	1,242,000
Property Taxes	<u>330,000</u>	<u>375,000</u>	<u>330,000</u>	<u>375,000</u>
NET OPERATING INCOME	5,924,000	5,879,000	5,924,000	5,879,000
CAP RATE	4.00%	3.50%	4.00%	3.50%
CAPITALIZED PROPERTY VALUE ON RENT-UP	148,098,000	167,971,000	148,098,000	169,971,000
DEVELOPMENT COSTS				
Hard Costs	106,052,000	106,052,000	106,052,000	106,052,000
Soft Costs (incl 2 contingencies, lease-up etc)	19,650,000	19,650,000	19,650,000	19,650,000
Sub Total	125,702,000	125,702,000	125,702,000	125,702,000
Financing Expenses				
Construction Loan Interest+Fees	7,721,000	7,721,000	7,721,000	7,721,000
High Rate 2 ND Mortgage Int			<u>8,950,000</u>	<u>8,950,000</u>
Total Financing Charges	7,721,000	7,721,000	16,671,000	16,671,000
Total Costs	133,423,000	133,423,000	142,373,000	142,373,000
DEVELOPER PROFIT UPON SALE	14,675,000	34,548,000	5,725,000	25,598,000
PROFIT MARGIN	10%	20%	4%	15%
Developer Cash Investment	43,996,000	43,996,000	3,996,000	3,996,000
High Interest Mortgage Amount			40,000,000	40,000,000
RETURN ON DEVELOPER CASH INVESTMENT	33%	78%	143%	641%

Developer Investment in Base Case is 35% of Construction Costs before Financing. High Rate 2nd Mortgage assumed to be fully drawn. Market Rental Revenues based on 2019 Rental Incentive Guidelines; costs based on Coriolis' March 2019 report for Metro Vancouver.

From: "Lightfoot, Brian" <Brian.Lightfoot@vancouver.ca>
To: "Tom Pappajohn" <tom@jamesoncorp.ca>
CC: "Sears, Brian" <brian.sears@vancouver.ca>
"Garrison, Dan (COV)" <Dan.Garrison@vancouver.ca>
"McNeill, Yardley" <yardley.mcneill@vancouver.ca>
Date: 1/14/2019 2:50:50 PM
Subject: Pappajohn Rezoning - 1296 West Broadway (2538 Birch Street)

Hi Tom,

Further to your recent conversation with Brian Sears, please find attached the City's revised version of your proforma indicating the potentially far greater land lift that could be achievable from this proposed rezoning which would suggest a potential capacity to increase the provision of MIRHPP units.



Also please note that Development Contributions Expectation Policy was approved by Council in June of 2018 (<https://vancouver.ca/files/cov/development-contribution-expectations-policy-appendix-c.pdf>) and requires that the City maximizes the MIR units on any rezoning in this area.



Questions for Staff:

- 1 All of the other MIRHPP proposals we have seen are not nearly as tall as this project. This project is getting full DCL and CAC waivers on residential units, as well as a surprising amount of additional density. Can you please provide the financial analysis which demonstrates why this much additional density is required, given the developer can now charge what the market will bear on the market rental suites? What profitability measure does staff use when assessing MIRHPP projects? One resident suggested this project could generate a return on investment of over 70% - is this possible?
- 2 The Referral Report says the developer is building 258 suites, however at the City Open House held last June, only 248 suites were proposed, which number still appears on the City's web page for this project. The value of the additional suites is in excess of \$5mm, but this also reduces overall unit sizes. Can staff please explain why they supported this change, as it seems the primary beneficiary of the increased number of units is the developer.
- 3 The City's web page for this development states that 187 parking stalls were to be provided. The Referral Report of March 17, 2020 states parking will be "As Per Parking By-Law". How many spaces are now proposed, and if less than 187, what is the value of that reduction to the developer?
- 4 A member of the public showed us an email earlier in this Hearing where staff was writing to the developer, and attached the City's revisions to the developer's proforma; the email noted the "potentially far greater land lift that could be achievable from this proposed rezoning". Are you at all concerned that members of the public who see this email might view this as meaning staff aren't behaving in an impartial manner when staff suggests to a developer that the land be leveraged more, particularly when staff reworked the developer's spreadsheet to show the impact of the proposed change? Is there any concern on staff's part that such a suggestion might reasonably be construed by the developer as a strong indication that such a change will be considered favourably by the City? Has the City Solicitor signed off on this practice, and confirmed that both the legal and reputational risks associated with reworking a developer's proposal and financial model are acceptable to the City?
- 5 A presentation at this Public Hearing showed the impact of capitalization rates on the value and profitability of the development. What capitalization rate did staff use to evaluate this developer's proposal, and how does that rate compare to those indicated by Colliers, CBRE and The Goodman Report?

Site Statistics Comparative Analysis

N. B. Project statistics based on published reports assumed to be accurate.

	1296 West Broadway v1.0	2538 Birch/1296 W Broadway v2.0	3600 East Hastings Street	3680 East Hastings Street	3701 - 3743 West Broadway & Alma v 1	3701 - 3743 West Broadway & Alma v 2	1745 West 8th Avenue & Pine
Site Area	18,762	18,762	10,715	13,948	23,234	23,234	56,550
FSR	7.07	10.5	7.1	6.9	3.15	5.4	
Maximum Building Height	170.8 ft	278 ft	158.2 ft	164.4 ft	64 ft		
Floors	16 Floors	28 Floors	14 Floors	14 Floors	6 Floors	14 Floors	40 Floors
Proposed Use	153 Market Rental Units	200 Market Rental - 78%	94 Units - 80% Market Rental	118 Units - 80% Market Rental	94 Market Rental Units	123 Market Rental Units - 80%	
		58 units Moderate Income - 22%	20% Moderate Income Units	20% Moderate Income Units		31 Moderate Income Units - 20%	
Parking Spaces/Spaces /Unit	168/1.1/unit	187/0.75/unit					
Assessed Value	36,465,000	36,465,000	7,342,000	11,162,000	24,819,000	24,819,000	105,587,000
Purchase Price	26,250,000	26,250,000	5,980,000	10,525,000	9,443,000	9,443,000	70,000,000
Purchase Date & Source	Feb 2016- Colliers International	Feb 2016- Colliers International	June 2017 - BC Assessment	Oct. 2017 - BC Assessment	2011 - Colliers International	2011 - Colliers International	Feb 2016 Colliers Interantional
Cost per Square foot	1,399	1,399	558	755	406	406	1,238
Buildable Feet	132,591	197,359	76,083	96,203	77,509	125,000	
Land Cost per Buildable Foot	197.98	133.01	78.60	109.40	121.83	75.54	

