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SUBJECT: Metro Core Jobs and Economy Land Use Plan

Thank you for your e-mail enquiry dated November 27, 2008 relating to the possible effects on land value and tax assessments as a result of the proposed land use changes contained in the Metro Core Jobs and Economy Land Use Plan. Let me first emphasize that the work of BC Assessment includes the analysis of market transactions in determining property value as of July 1st each year. This annual review does not provide information or the ability to forecast future market behavior. As such, the following comments relate only to an opinion of value supported by historic market behavior.

In recent years Downtown Vancouver land value has been driven primarily by the demand for residential multi-family development resulting in a steady increase in value. This strength of demand has appeared to diminish through 2008, although there has to date been little reliable market evidence that might demonstrate a loss in value. Commercial development land on the other hand has remained comparatively steady in recent years with few transactions of purely commercial development land. However, in recent years, and based on the available evidence, we have valued downtown commercial development land at roughly one half the value of downtown residential development land.

The Metro Core Land Use Plan proposes two changes that one might expect to influence land value. On the one hand the Plan would eliminate residential development in the DD-C and DD-F zones that previously had a significant component of value relating to residential development, while at the same time proposing to increase allowable commercial development in DD-A, DD-B, DD-C1 and DD-F. The effect on value of these changes will only be born out through the analysis of market transactions that have yet to take place. However, taking historic market evidence and applying the value indicators to the proposed changes would suggest a reduction in value where residential development is eliminated, while at the same time suggesting rising market value where allowable commercial densities are increased. Based on the foregoing, and relating only to historic data, the quantum of these changes would be in relation to the value of lost of residential density at a rate of say \$190 per buildable square foot, while any increase in commercial density would positively effect value at a rate of say \$95 per buildable square foot.

It should be noted that the impact of these proposed changes on overall value for any particular property will vary dependent upon the valuation methodology applied. In the case of a property developed to its Highest and Best Use an increase in allowable density, while

increasing the underlying land value, will not alter the estimate of market value as determined by the Income Approach. It would however have the effect of increasing the land value assessment, while at the same time reducing the residual improvement value assessment. This scenario is in contrast to another property that as either vacant or under-developed would see, by way of the Cost Approach, an increase in the land assessment in direct relation to any increase in permitted density.

As an example, take two properties on Burrard Street, one a Highest and Best Use office building, and the other a vacant parcel. The former would have an assessment of say \$190 million remain unchanged with only the land and improvement split changing from \$70 million land and \$120 million improvement, to \$85 million land and \$105 million improvement as a result of an increase in allowable density. While the second property would have a \$70 million land assessment increase to \$85 million. These examples relate to increases in purely commercial density as contemplated in the DD-A and DD-B zones. Changes in use in conjunction with density as proposed for the DD-C and DD-F zones would operate similarly in relation to fully developed versus vacant or under-developed properties, with the inclusion of the previously noted impact of residential versus commercial density value.

As mentioned, the opinions contained in this memo are not intended to predict future market behavior, rather only to apply current assessment practice and recent development density value to the changes proposed by the Metro Core Land Use Plan.