



## MEMORANDUM

December 11, 2009

TO: Mayor Robertson and Councillors

CC: P. Ballem, City Manager  
S.A. Johnston, Deputy City Manager  
M. Coulson, Acting City Clerk  
C. Fenby, Assistant Director, Corporate communications  
D. McLellan, General Manager, Community Services  
B. Toderian, Director of Planning  
F. Connell, Director of Legal Services

FROM: R. Jenkins, Assistant Director Central Area Planning

SUBJECT: CD-1 Text Amendment - 1133 West Georgia Street - Report Back

At the close of the Public Hearing on this item on December 8, 2009, Council requested that staff report back on two issues:

- 1) Clarification was sought regarding the analysis of the financial proforma for the project; and
- 2) The applicability of Sections 5.2 (a), (b) and (e) of the City's *Rezoning Policy for the Central Business District (CBD) and CBD Shoulder: (Areas A, B, C1 and F and Areas C3 and H)*, which was adopted by Council in June 2009.

### 1) Proforma Analysis and CAC recommendation

Pursuant to Council's "Community Amenity Contributions - through Rezoning" policy, the site at 1133 West Georgia Street is considered a "Non-Standard rezoning" where the CAC is determined through a negotiated approach. A project proforma was submitted and analysed by Real Estate Services.

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## Background

The property was originally rezoned in September 2005, with a subsequent amendment in 2006. The rezoning in September 2005 permitted a total FSR of 17.08 (with a minimum of 9 FSR being commercial floor area; hotel portion) with an amendment to 17.74 FSR in 2006. The total community amenity contribution (CAC) offering was \$14.08M. In November, 2009 a further amendment was proposed to increase the FSR to 20.80 and the building height to 616 ft, overall increasing the residential FSR from 8.74 to 11.80, representing about 80,000 sq. ft.

The developer has made an offering of \$7.28 M reflective of the current associated land lift representing an approximately 50% increase from the original CAC contribution for this development. The CAC offered by the developer will be a total of \$21,360,000.

## Proforma review and methodology

To facilitate agreement with the developer over the appropriate CAC offering, staff review the development pro forma to identify the "land lift" associated with the rezoning of the property. Land lift is simply the difference between the land value under existing zoning and the land value following rezoning. The difference represents the lift in land value. Up to 100% of the lift can be secured as a CAC contribution, but on major rezonings it is typical that the land lift be shared between the City and the developer to reflect the risks associated with rezoning. In this particular case the City is securing 70% of the land lift as a CAC offering, which equates to \$21,360,000 in total.

## Land Valuation approach

As mentioned above, the land lift represents the difference between the existing land value under existing zoning and the value following rezoning. Land valuations typically use the market comparison approach or residual value approach. The market comparison approach is based on market evidence of comparable sales of land to form an opinion of value. Often the existing land value can be estimated using this approach. Where comparable sales evidence is inadequate the residual value approach is typically used, and this is often the approach used to determine land value on a rezoning. The residual value approach values the completed project, deducts all development costs to arrive at a residual value. The residual value represents the land value following rezoning. The difference between residual value and the existing land value represents the land lift that the rezoning will create.

The residual value approach is calculated as follows:

*Market Value of the Completed Development*

*Less: Construction (Hard) Costs*

*Less: Indirect (Soft) Costs - all indirect costs such as professional fees (for architect, lawyer, consultants, development manager), holding costs, contingencies etc.*

*Less: Financing Costs*

*Less: Developers Profit (15%) on Cost*

*Equals: Residual Value to Land*

*Less: Land Value (as existing)*

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*Equals: Land Lift*

**Summary of CAC contributions**

Using the aforementioned pro forma review methodology to identify the land lift, the appropriate level of CAC contributions applicable to this rezoning have been ascertained and are summarized in the table below:

Date	CAC		Comments
	Total		
	Land		CAC as
	Lift	CAC	% of
	\$Millions	\$Millions	Tot. Lift
Sep 05	\$ 18.40	\$ 12.50	68%
Oct 06	\$ 1.58	\$ 1.58	100%
Dec 09	\$ 10.40	\$ 7.28	70%
	\$ 30.38	\$ 21.36	70%

**CAC Allocation:**

\$12.5 M allocation as follows:

\$5 M transfer of heritage density transfer from a suitable donor.

\$1.2 M cash payment for public realm improvement to Bute Street.

\$6.3 M cash payment to be subject to future allocation by Council to amenities in the surrounding area and downtown.

\$1.58 M - Heritage density transfer from a suitable donor.

\$7.28 M - Heritage density transfer from a suitable donor.

The City has successfully negotiated total CACs from this development amounting to over \$21,000,000, representing 70% of the estimated lift in land value as a result of the rezoning. This is consistent with the methodology carried out for other significant rezonings in the downtown.

It should also be noted that the project is also subject to Development Cost Levies which also represent a value transfer to the City to finance the costs associated with the population growth. This project will generate a total of approximately \$4.18M.

**2) Rezoning Policy for the Central Business District (CBD) and CBD Shoulder: Areas A, B C1 and F and Areas C3 and H) (June, 2009):**

Council has also requested some additional commentary about the applicability of the CBD and CBD Shoulder Rezoning Policy to the text amendment application. Staff note that the CD-1 rezoning, and the text amendment that is currently before Council, meet the policy context from 2005 in which the rezoning was originally approved, and remain separate from the recently adopted Rezoning Policy, as discussed below.

2005 Context: The initial rezoning of the site at 1133 West Georgia Street from DD to CD-1 was considered in 2005, and was reviewed against the Central Business District Policies in effect at that time. Council’s policies stated as follows:

## 2 Residential Rezoning Policies

On June 10, 1993, Council approved the following policy:

THAT when reviewing applications proposing increases in residential FSR in the CBD, the maximum density that will be considered is the existing maximum density specified in the Downtown Official Development Plan, including bonusing provisions.

On June 24, 1993, Council approved the following policy:

THAT rezoning applicants for housing in the Central Business District be advised that office commercial is the preferred primary use throughout this area and predominantly residential projects are not generally favoured, but that applications proposing increases in residential FSR may be occasionally considered, on a case-by-case basis, depending on the following factors:

- facilitating heritage or significant business support facilities;
- compatibility with surrounding land uses (where office commercial is the predominant use now in place, residential will generally not be favoured);
- the impacts on nearby development now and in the future;
- residential livability; and
- proximity of other existing housing or residential amenities.

In the Policy Report titled "1133 West Georgia Street: Rezoning from DD to CD-1", dated July 8, 2005, staff noted that the application to permit residential use in a non-residential district responded to and satisfied the CBD Rezoning Policy and the DD Interim Policies for conversion of existing office space to residential use (having been adopted in April 2005), while noting that the latter was not directly applicable, but informative as background for considering the residential density that had been proposed.

The application satisfied the policy context of the day by maintaining the maximum required FSR in commercial density under the DD (9.0 FSR) all in the lower storeys of the project to be compatible with adjacent commercial uses. At that time, Council was continuing to consider residential uses in the CBD, although concerns were emerging regarding the potential loss of commercial space. The application predated the Metro Core Jobs and Economy study, yet responded to those emerging concerns in a positive and progressive way.

The project did not include a heritage resource on site, however a \$5M transfer of heritage density to the site was incorporated in the CAC offering. In terms of the other criteria, staff's analysis concluded that the project met the General Policy for Higher Buildings and achieved the highest order of architectural excellence and urban design, would be a sustainable development and would contribute significant community benefits.

The 2006 text amendment, which conferred an additional 13,000 sq. ft. of residential density on the site, reaffirmed Council's support for residential use and the transfer of heritage density for residential use at this location, again subject to the maximum required commercial density (9.0 FSR) being provided.

2009 Context: Staff advise that the June 2009 Policy is not applicable to the current rezoning text amendment application. The intent of the Policy is that it applies to new rezoning applications submitted after the date of adoption. The policy was not intended to be applied retroactively to an existing rezoning approval, nor to an amendment to a zoning where adherence to the newly adopted policy would fundamentally alter the zoning that was previously approved by Council.



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