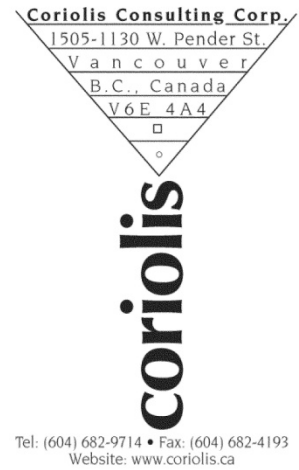


Assessment of Impact on Land Values - Coriolis



VIA EMAIL

14 April 2014

Ms. Deborah Cooper
Coordinator, Established Community Planning
Land Use Planning & Policy
The City of Calgary
P.O. Box 2100, Station M, #8117
Calgary, AB T2P 2M5

Dear Ms. Cooper:

Re: Amenity Contribution for 306 – 312 25th Avenue SW

Background

A developer has applied to the City of Calgary to change the Land Use (i.e. zoning) for a property at 306 to 312 25th Avenue SW, which is located in the Mission ARP area. This site is currently designated DC 63Z2006, which allows a density of 3.5 FAR and a maximum building height of 5 storeys (15 meters). The developer is proposing a density of 4.5 FAR and a height of 8 storeys (24 meters). The proposed density does not conform to the existing policies of the Mission ARP, so the City of Calgary commissioned Coriolis Consulting Corp. to conduct a site-specific analysis in order to determine an appropriate amenity contribution for the proposed change in Land Use.

Subject Site

The subject site is an assembly of 4 single family lots with a total site area of about 13,025 square feet and approximately 100 feet of frontage along 25th Avenue SW. There is an older single family home on each of the four lots. Adjacent uses include mostly mid and high-rise multifamily development and some older low density housing stock. The site is close to the attractive Mission shopping district and offers easy access to downtown and other amenities such as the regional river walk on the Elbow River.

Approach

We used the following to analyze the potential for an amenity contribution for the proposed development:

1. First, we estimated the value of the subject site under its existing use.
2. We then determined if the subject site is an attractive development site under its existing Land Use designation.
3. We then estimated the value of the subject site if its Land Use was changed to the proposed density.
4. We concluded by determining the potential increase in value that would result from the additional proposed density and the implications for a possible amenity contribution from the developer.

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Existing Value

In order to determine the existing value of the site, we looked at two indicators of value.

1. Value as single family homes.

The subject site is an assembly of 4 single family lots which are all currently improved with older homes. Based on a review of the sales prices for comparable single family homes in the immediate area of the subject site, these lots range in value from about \$700,000 to \$800,000 depending on lot size. Attachment 1 shows that these lot prices are equal to a value of around \$3 million dollars for the entire site under its existing use.

2. Value as redevelopment site under existing Land Use.

We also analyzed the redevelopment potential of the site under existing Land Use by conducting a land residual analysis. We did a land residual for both a concrete building at 3.5 FAR with 5 storeys, and a wood-frame building at 2.8 FAR with 4 storeys and found that both scenarios yield a similar residual value. In both cases, redevelopment is viable under the existing Land Use designation and generates a little extra value over the existing use (about \$300,000). The revenue assumptions we used in our analysis are based on a detailed review of multi-family unit sales at comparable projects in the inner-city. The cost assumptions used in our analysis are based on information available from quantity surveyors such as Altus and BTY and supplemented by construction cost data we have from actual projects built in Calgary. For detailed revenue and cost assumptions see Attachments 2 & 3. Based on our analysis, we estimate that a wood-frame condo project built to 2.8 FAR generates a land value of about \$3.3 million, and a concrete project built to 3.5 FSR generates a land value of about \$3.2 million.

Change in Land Use

Next we evaluated the site's value based on the proposed density of 4.5 FAR. In order to evaluate the change in value, we use two approaches:

1. Value as a redevelopment site with a change in density to 4.5 FAR, based on a land residual analysis.

At 4.5 FAR, we assumed that the developer would build an eight-storey concrete building over a common parking structure. The revenue assumptions we used in our analysis are based on a detailed review of multi-family unit sales at comparable projects in the inner city. The cost assumptions used in our analysis are based on information available from quantity surveyors such as Altus and BTY and supplemented by construction cost data we have from actual projects built in the city of Calgary. For detailed revenue and cost assumptions see Attachment 4. Based on our analysis, we estimate that condominium development at 4.5 FAR produces a land value of about \$4.2 million.

2. Comparable site sales approach.

Based on a small sample of comparables, concrete development sites in the Mission area are listed or have sold for about \$70-\$75 per buildable square foot, which is about \$4.4 million if applied to the subject site with 4.5 FAR (13,025 square feet x \$75 x 4.5). The most relevant available comparable is a development site located on the same block as the subject site. The asking price for this site is \$77 per square foot buildable, which suggests the results of the land residual analysis could be slightly conservative.

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Implications

Under the existing Land Use designation, the subject site is a development site with a value of about \$3.3 million dollars. If the site's Land Use designation is changed to allow 4.5 FAR, it is likely worth around \$4.2 million dollars, an increase of approximately \$900,000. If we calculate the land value gain per square foot of additional density, it would be \$900,000 divided by 13,025 square feet (site size of 13,025 square feet x an FAR gain of 1.0), which is about \$69 per square foot of additional density. Using the City's amenity contribution approach of 75% of the increase in value, the appropriate amenity contribution would be approximately \$675,000, or about \$52 per square foot of additional density. Given the inherent uncertainty in some of the numbers used in our analysis, it would be reasonable to round the amenity contribution to \$50 per square foot.

Yours truly,

CORIORIS CONSULTING CORP.



Jay Wollenberg

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Attachment 1: Estimated Value of Existing Homes Located at 306 to 312 Memorial Drive NW.

Number	Street	Directional	Width (ft)	Depth (ft)	Estimate of Market Value
306	25 Avenue	SW	25	130	\$750,000
308	25 Avenue	SW	25	130	\$750,000
310	25 Avenue	SW	25	130	\$750,000
312	25 Avenue	SW	25	130	\$750,000
Total			100		\$3,000,000

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Attachment 2
306-312 25th Avenue SW
Hypothetical Wood Frame Apartment Development in Mission Neighbourhood
Based on Existing Land Use at 2.8 FAR

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Revenue and Value		
Average Sales Price Per Sq. Ft.	\$520	per sq.ft. of net saleable residential space
Site and Building Size		
Site size	13,024 sq.ft. or	0.30 acre
Assumed density	2.8 FAR	
Total floorspace	36,468 sq.ft.	
Net saleable space	30,998 sq.ft. or	85.0% of gross area
Average Gross unit size	953	
Average Net unit size	810 sq.ft.	
Number of units	38 units or	127 UPA
Required Parking Stalls	1,10 per unit	
Residential Stalls	42 stalls	
Total Stalls	42 stalls	
Construction Costs		
Allowance for Demolition of Existing Buildings	\$40,000	
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	\$0 or about	\$0
Other Predevelopment Costs	\$0	
Hard Construction Costs		
Hard Cost Used for Analysis	\$200.00	
LEED Premium	0%	
Soft costs (1)	12.0% of hard costs and site prep/servicing costs	
Contingency on hard and soft costs	5.0% of hard and soft costs	
Acreage Assessment	\$0.00 per acre	
Other Levies	\$0.00 per apartment unit	
Interim financing on construction costs	6.0% on 50% of hard and soft costs, assuming a	1.50 year construction period
Financing fees	0.75% of hard and soft costs	
Other Costs and Allowances		
Rezoning Costs	\$0	
Marketing and Commissions	5.0% of gross revenue	
Developer's Profit	15.0% of gross revenue, or	17.6% of total costs
Property Taxes	0.633% of assessed value	
Assumed current assessment (Year 1 of analysis)	\$2,604,888	
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$8,059,523 (50% of completed project value)	
Analysis		
Revenue		
Gross sales revenue	\$16,119,047	
Less marketing and commissions	\$805,952	
Net sales revenue	\$15,313,095	
Construction Costs		
Allowance for Rezoning Costs	\$0	
Allowance for Demolition of Existing Buildings	\$40,000	
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	\$0	
Other Predevelopment Costs	\$0	
Hard construction costs	\$7,293,686	
Soft costs	\$875,242	
Contingency on hard and soft costs	\$410,446	
Acreage Assessment	\$0	
Other Levies	\$0	
Interim financing	\$387,872	
Financing fees/costs	\$64,645	
Total construction costs	\$9,071,892	
Developer's Profit	\$2,417,857	
Residual to Land and Land Carry	\$3,823,345	
Less interim financing on land (approvals/presales/construction)	\$426,685	
Less property closing costs	\$15,983	
Less property taxes	\$50,259	
Residual Land Value	\$3,330,417	
Residual Value per sq.ft. of site	\$255.71	
Residual Value per square foot buildable	\$91.32	
Estimated Existing Value	\$3,000,000	
Additional Value	\$330,417	

Notes:

1) Soft Costs allow for design, engineering, legal, survey, project management, consultants, permits, warranties, deficiencies, misc.

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Attachment 3
306-312 25th Avenue SW
Hypothetical Concrete Apartment Development in Mission Neighbourhood
Based on Existing Land Use at 3.5 FAR

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Revenue and Value		
Average Sales Price Per Sq. Ft.	\$620	per sq.ft. of net saleable residential space
Site and Building Size		
Site size	13,024 sq.ft. or	0.30 acre
Assumed density	3.5	FAR (base density)
Total floorspace	45,586 sq.ft.	
Net saleable space	38,748 sq.ft. or	85.0% of gross area
Average Gross unit size	953	
Average Net unit size	810 sq.ft.	
Number of units	48 units or	161 UPA
Required Parking Stalls	1.10	per unit
Residential Stalls	53 stalls	
Total Stalls	53 stalls	
Construction Costs		
Allowance for Demolition of Existing Buildings	\$40,000	
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	\$0	or about \$0
Other Predevelopment Costs	\$0	
Hard Construction Costs		
Hard Cost Used for Analysis	\$270.00	
LEED Premium	0%	
Soft costs (1)	12.0%	of hard costs and site prep/servicing costs
Contingency on hard and soft costs	5.0%	of hard and soft costs
Acreage Assessment	\$0.00	per acre
Other Levies	\$0.00	per apartment unit
Interim financing on construction costs	6.0%	on 50% of hard and soft costs, assuming a 1.75 year construction period
Financing fees	0.75%	of hard and soft costs
Other Costs and Allowances		
Rezoning Costs	\$0	
Marketing and Commissions	5.0%	of gross revenue
Developer's Profit	15.0%	of gross revenue, or 17.6% of total costs
Property Taxes	0.633%	of assessed value
Assumed current assessment (Year 1 of analysis)	\$2,604,888	
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$12,011,790	(50% of completed project value)
Analysis		
Revenue		
Gross sales revenue	\$24,023,580	
Less marketing and commissions	\$1,201,179	
Net sales revenue	\$22,822,401	
Construction Costs		
Allowance for Rezoning Costs	\$0	
Allowance for Demolition of Existing Buildings	\$40,000	
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	\$0	
Other Predevelopment Costs	\$0	
Hard construction costs	\$12,308,096	
Soft costs	\$1,476,971	
Contingency on hard and soft costs	\$691,253	
Acreage Assessment	\$0	
Other Levies	\$0	
Interim financing	\$762,107	
Financing fees/costs	\$108,872	
Total construction costs	\$15,387,300	
Developer's Profit	\$3,603,537	
Residual to Land and Land Carry	\$3,831,564	
Less interim financing on land (approvals/presales/construction)	\$481,053	
Less property closing costs	\$15,753	
Less property taxes	\$81,788	
Residual Land Value	\$3,252,970	
Residual Value per sq.ft. of site	\$249.76	
Residual Value per square foot buildable	\$71.36	
Estimated Existing Value	\$3,000,000	
Additional Value	\$252,970	

Notes:

1) Soft Costs allow for design, engineering, legal, survey, project management, consultants, permits, warranties, deficiencies, misc.

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Attachment 4

306-312 25th Avenue SW

Hypothetical Concrete Apartment Development in Mission Neighbourhood

Density Increased to 4.5 FAR

Major Assumptions (shading indicates figures that are inputs; unshaded cells are formulas)

Revenue and Value

Average Sales Price Per Sq. Ft. \$620 per sq.ft. of net saleable residential space

Site and Building Size

Site size	13,024 sq.ft. or	0.30 acre
Assumed density	4.5 FAR	
Total floorspace	58,610 sq.ft.	
Net saleable space	49,818 sq.ft. or	85.0% of gross area
Average Gross unit size	953	
Average Net unit size	810 sq.ft.	
Number of units	62 units or	207 UPA
Required Parking Stalls	1.10 per unit	
Residential Stalls	68 stalls	
Total Stalls	68 stalls	

Construction Costs

Allowance for Demolition of Existing Buildings	\$40,000	
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	\$0 or about	\$0
Other Predevelopment Costs	\$0	
Hard Construction Costs		
Hard Cost Used for Analysis	\$270.00	
LEED Premium	0%	
Soft costs (1)	12.0% of hard costs and site prep/servicing costs	
Contingency on hard and soft costs	5.0% of hard and soft costs	
Acreage Assessment	\$0.00 per acre	
Other Leases	\$0.00 per apartment unit	
Interim financing on construction costs	6.0% on 50% of hard and soft costs, assuming a	1.75 year construction period
Financing fees	0.75% of hard and soft costs	

Other Costs and Allowances

Rezoning Costs	\$0	
Marketing and Commissions	5.0% of gross revenue	
Developer's Profit	15.0% of gross revenue, or	17.6% of total costs
Property Taxes	0.633% of assessed value	
Assumed current assessment (Year 1 of analysis)	\$2,604,888	
Assumed assessment after 1 year of construction (Year 2 of analysis)	\$15,443,730 (50% of completed project value)	

Analysis

Revenue

Gross sales revenue	\$30,887,459
Less marketing and commissions	\$1,544,373
Net sales revenue	\$29,343,086

Construction Costs

Allowance for Rezoning Costs	\$0
Allowance for Demolition of Existing Buildings	\$40,000
On-Site Servicing (Upgrade of Adjacent Roads/Sidewalks/Etc)	\$0
Other Predevelopment Costs	\$0
Hard construction costs	\$15,824,695
Soft costs	\$1,898,963
Contingency on hard and soft costs	\$888,183
Acreage Assessment	\$0
Other Leases	\$0
Interim financing	\$979,222
Financing fees/costs	\$139,889
Total construction costs	\$19,770,951

Developer's Profit \$4,633,119

Residual to Land and Land Carry

Residual to Land and Land Carry	\$4,939,016
Less interim financing on land (approvals/presales/construction)	\$620,093
Less property closing costs	\$20,595
Less property taxes	\$98,087
Residual Land Value	\$4,200,241

Residual Value per sq.ft. of site

Residual Value per sq.ft. of site	\$322.49
Residual Value per square foot buildable	\$71.66

Estimated Existing Value

Estimated Existing Value	\$3,000,000
Additional Value	\$1,200,241

Notes:

(1) Soft Costs allow for design, engineering, legal, survey, project management, consultants, permits, warranties, deficiencies, misc.

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