

Mayor and Council
The Corporation of the District of West Vancouver
750 - 17th Street
West Vancouver, BC V7V 3T3

2008 May 15

Dear Mayor and Council:

re Community Benefits with respect to the Rodgers Creek Development

Summary

The staff reports dated April 9th¹ and April 28th² suggest that the community benefits of \$16 million offered in return for the increased density being requested are appropriate based on staff's estimated value of the increased density of \$16,463,000. This letter points out some inconsistencies and omissions from these reports and suggests that a more accurate estimate of the value of the increased density is on the order of \$135 million and therefore the offered community benefits are insignificant in view of the magnitude of the density increase being proposed and the size of the development (around one billion dollars³).

There is no reason this development cannot be clustered, varied, and environmentally sensitive within the density permitted under the existing zoning⁴. The many negative impacts of increased density are well documented and the paltry compensation being proposed is wholly insufficient to offset them.

Therefore if this development is to be considered by Council, Council must protect the interests of the community by:

1. obtaining a proper independent professional appraisal of the incremental land value associated with the "Option B" upzoning⁵ (starting with an accurate calculation of the permitted density under the current ownership and zoning); and
2. rejecting the rezoning unless the proposal, including a vastly improved benefits package, meets the test of being in the best interests of the community. Even if a specific requirement for community benefits is *ultra vires*, Council has the right, indeed the obligation, to reject any rezoning and development proposal that, taken in its entirety, does not serve the public interest. The current proposal with such minimal community benefits is certainly not in the public interest and therefore must be rejected by Council.

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1. *Rodgers Creek - Proposed Community Benefits and Public Amenities*, Geri Boyle, April 9th, 2008; Item B of On Table items for the April 10th Council Workshop agenda. <docs.pajari.ca/dwvrc/20080409.pdf>
 2. *Rodgers Creek Area Development Plan - Additional Information*, Geri Boyle, April 28th, 2008; Item 4(a) on the May 5th Regular Council Meeting agenda. <docs.pajari.ca/dwvrc/20080428.pdf>
 3. *Rodgers Creek Area Development Plan - Overview Report*, March 7, 2008; pp. 61.
 4. The zoning would have to be amended to allow greater density transfer within the development area than currently permitted, but this could be done without increasing the density (i.e. permitted total number of units or the total square footage).
 5. Including a full count of all units (i.e. not leaving accessory buildings out of the calculated Uplift).

The Rodgers Creek Development Area comprises 215.1 acres of land above the Upper Levels highway in West Vancouver. Its current RS7 and RS8 zoning permits⁶ 375 units but the Rodgers Creek Area Plan Working Group (RCWG) “*strongly recommends*”⁷ a plan with 736+⁸ units (“Option B”). The issue addressed by this letter is the magnitude of the Windfall⁹ generated by this upzoning and from that, the appropriate community benefits to offset the impact of the upzoning.

The April 9th staff report suggests that the total Uplift is \$16,463,000 but this figure appears to be based on several questionable assumptions and as a result probably misrepresents the value of the increased density associated with the Rodgers Creek Development.

1. Land Value per Unit

In the April 9th report a figure of \$101,000¹⁰ is used as the value of each additional unit above the currently permitted density. No justification or support is provided for this figure¹¹ and so it is not clear upon what data it is based. The author of this letter asked Council and staff for an explanation during the Regular Council Meeting held May 5th but did not receive an answer.

The author has therefore, perforce, developed a model to determine appropriate values to assign to the increased density (see the appendix to this letter), and it indicates \$152,000 is a more accurate figure. But even should the \$101,000 figure be appropriate, the total Uplift is still over \$117 million.

2. Total Building Square Footage

Neither the April 9th nor the April 28th report make any reference to the increase in permitted building square footage between the current zoning and the two options being considered. The *Rodgers Creek Fiscal Impact Report*¹² states¹³ that the current zoning permits a total of 1,653,050 sf. which means Options A and B (with a proposed square footage of 1,875,670) represent an increase of 222,620 sf. As detailed in the appendix, this increased density has a value around \$364 per sf. therefore the additional 222,620 sf. alone represents an upzoning Windfall on the order of \$81 million.

3. Number of Additional Units

The April 9th report inexplicably calculates the Uplift only for Option A (538 units) when Option B was the one “*strongly*” recommended by the RCWG (736+ units). The note in the report says “*Option B has not been calculated as the building square footage is the same as in Option A.*”¹⁴ This is irrelevant and a non sequitur since the report is calculating the Uplift based on the number of units (not the square footage) and the number of units is most definitely not the same in Option B as in Option A. This sleight of hand allows the report’s author to understate the Windfall by some \$20 million (using her numbers for unit value, which itself appears to be significantly underestimated as outlined in item 1 above, and not counting any of the accessory units).

6. *Overview Report*, op. cit.; pp. 27; states “...the maximum number of housing units allowed under the existing zoning, 375” but does not explain how this number was arrived at. If one takes the maximum units per acre permitted by the zoning and multiplies that by the number of acres in each parcel one gets 371, not 375, but these zonings impose other limits on lot layout but neither figure accounts for those other requirements, so the actual permitted number is probably less but that issue is beyond the scope of this letter. Furthermore, the RCWG recommends transferring five acres to Mulgrave School for school purposes but includes the 12.5 units permitted on that land in the 375 total even though the five acres would be used for school purposes -- i.e. counting the density on those five acres twice, once for housing to be built elsewhere using the transferred density, and again for the school facilities to be built on the five acres. <docs.pajari.ca/dwvrc/20080307.pdf>

7. *Rodgers Creek Area Plan Working Group Report*, March 11th, 2008; pp. 8. The group also presented a plan (“Option A”) with 538 units but did not recommend it. Note, however, while the WG recommended Option B, they were not given any of the reports on community benefits and fiscal impact, and even though their mandate (RCWG website; OCP pp. 99) asked them to “*evaluate financial impacts*” and to “*optimize economic benefits to the community*”, surprisingly they did not consider if the benefits were appropriate given the upzoning required by this plan. <docs.pajari.ca/dwvrc/20080311.pdf>

Analysis

If we calculate the Uplift associated with Option B (the “*strongly*” recommended option), but not counting the unspecified number of accessory units, we get¹⁵:

$$\text{Uplift} = \text{Value (per additional unit)} \times \text{number of additional units} + \\ \text{Value (per additional sq. ft.)} \times \text{number of additional square feet}$$

$$\text{Uplift} = \$152,000 \times 361 + \$364 \times 222,620 = \mathbf{\$135,905,680}$$

If we use the 75% guideline, the community benefits ought to amount to roughly \$102 million (as opposed to the \$16 million suggested by staff).

It is therefore strongly recommended that Council not consider the proposed rezoning until the associated community benefits are commensurate with the actual Windfall that will accrue to the developer if Option B is approved by Council.

Council may also wish to investigate why the reports to Council provide Uplift values that appear to be wildly different from those calculated in this letter. If the error is as suggested in these calculations, the staff reports severely prejudice the interests of West Vancouver residents (and argue for Council providing significant upzoning benefits to the developer with negligible benefit to the community). Council may also want to know why a proper appraisal of the Uplift was not obtained in the first place.

Appendix — Determining the Value of Additional Density

This section of the letter provides the detailed mathematical analysis to support the value assigned to each additional unit and developable square foot used to arrive at the \$135,905,680 Uplift value above. It is not necessary to read this part to appreciate that there are significant errors in the reports purporting to justify \$16 million as an estimate of the Windfall that will accrue the developer from the proposed rezoning.

To calculate the Uplift associated with the proposed rezoning of the Rodgers Creek development it is necessary to determine the land value of a unit (V_{unit}) of residential housing apart from any floor area associated with that unit, and the value of a square foot of developable building space (V_{sqft}) apart from the number of units.

There is no doubt that the right to develop a unit of housing has value apart from the permitted floor space. It is a simple fact that if you have a 14,000 square foot lot zoned RS3 with a permitted FAR of .35 (i.e. a house of 4,900sf), it is worth less than if you could subdivide the lot into two 7,000 square foot lots each with a house of 2,450sf. In other words, the total square footage has remained the same but the total value of the two smaller lots is greater than a single lot of the same total size.

So we need to determine the amount of this increase in value attributable to adding a unit of housing without adding to the permitted total square footage.

One approach is to compare the value of two properties that have differing permitted number of units. We have an excellent example in the *Stone Thro* development in the 2100 block of Gordon. Here three lots were combined and

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8. The total number of units permitted under Option B is not specified since the Working Group recommended, in addition to the 736 units, an unspecified and uncounted (for the purposes of density calculation and zoning compliance) number of “accessory units”, see *ibid.* pp. 10.
 9. Uplift is the increase in property value attributable to rezoning to permit increased density over what the current zoning permits. In the US this value is more aptly called *Windfall*. Both terms are used interchangeably in this letter.
 10. April 9th report, op. cit., pp. 3
 11. Other than to say (*ibid.*) “*the Province’s recent expropriation of District lands [is] provided as [reference]*” without actually providing any other explanation of the \$101,000 figure.
 12. *Rodgers Creek Fiscal Impact Report*, Sussex Consultants Ltd., April 2008; pp. 9. <docs.pajari.ca/dwvrc/200803A.pdf>
 13. The report does not, however, provide any justification or explanation for how this number was determined. In fact, if the 375 number for the permitted number of units is wrong (and it almost certainly is), then the figure for the permitted number of buildable square feet is also probably high -- meaning the true Uplift is even higher than the \$136 million figure.
 14. April 9th report, op. cit., pp. 3

upzoned into a strata development with ten units¹⁶. Immediately adjacent there is a single lot¹⁷ that has remained unchanged.

We can model the land value of a property by the formula:

$$\text{total land value} = N_{\text{units}} \times V_{\text{unit}} + N_{\text{sqft}} \times V_{\text{sqft}}$$

where V_{unit} is the land value of a unit (apart from floor space) and V_{sqft} is the land value of a square foot of developable floor space (apart from the number of units).

For the single lot we have $N_{\text{units}} = 1$ and $N_{\text{sqft}} = 2,487$ (the lot is 15.24m x 43.312m and is RS5 with a FAR of .35). The assessed value of the land in 2008 was \$960,000. Expressed as an equation this is:

$$960,000 = 1 \times V_{\text{unit}} + 2,487 \times V_{\text{sqft}}$$

For the redeveloped assembly of three lots we have $N_{\text{units}} = 10$ and $N_{\text{sqft}} = 15,964$ (the lot is 45.69m x 43.28m with a FAR of .75). The total of the assessed land values for all units is \$6,656,000. Thus:

$$6,656,000 = 10 \times V_{\text{unit}} + 15,964 \times V_{\text{sqft}}$$

We now have a set of simultaneous equations in two variables and can solve for V_{unit} and V_{sqft} with the results as shown below.

Variable	Uncorrected (based on assessed value)	Corrected to represent market value
V_{unit}	\$ 137,888	\$ 152,000
V_{sqft}	\$ 331	\$ 364

We have adjusted these figures to market value¹⁸ and see that the approximate land value of a unit, apart from any square footage, is \$152,000 and the approximate value per developable square foot of additional density is \$364¹⁹.

While obviously these values will vary somewhat from development to development, and depend on all of the factors that typically affect land values, there is no reason why these values are not generally applicable to the Rodgers Creek development. While there are reasons to think that units in the 2100 block of Gordon might be preferable to the Rodgers Creek area, there are equally valid reasons to think Rodgers Creek units would be more valued than Gordon Ave (view being one). Testing this model using data for lots adjacent to the Rodgers Creek area confirms the general accuracy of the model²⁰.

Yours truly,

George Pajari

Permission granted to publish unredacted.

15. This formula is obviously a simplification of the many factors that affect land value but incorporate the two main factors and is sufficient for the purposes of this analysis, to wit, to demonstrate that the original \$16 million estimate of the Uplift is but a fraction of the true figure.

16. See property assessments for Plan BCS1593, Lots 1 through 10; 2117 through 2133 Gordon Avenue.

17. 911 - 21st Street.

18. The *Vancouver Sun*, in an article published on April 26th 2008 (pp. A4C), showed that the market value for West Vancouver properties has ranged from 22% above assessed value in 2005 to 13% above in 2007. Accordingly V_{unit} and V_{sqft} have been adjusted conservatively by 10% to arrive at our market values (since the simultaneous equations used assessed property values and not market values). But even if the market value is the same as the assessed value, this only changes the calculated total Uplift to \$123 million, still somewhat above the \$16 million in the staff report.

19. Obviously these values only apply to non-waterfront WV residential property with development rights.

20. The point of this analysis is not to obtain an exact figure for the Uplift but to demonstrate that the \$16 million estimate is almost an order of magnitude low. Even if the figures developed by the model in this letter are off by 50% (which can be shown to be highly unlikely), the Uplift would still be many times the \$16 million figure from staff.