

Surplus Lands Valuation

For

Bowen Island Municipality

**G. P. Rollo & Associates Ltd.
Land Economists
May 8, 2007**

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To: Bowen Island Municipality

Attn: Michael Rosen - Planning Consultant

From: Paul Rollo

Re: Valuation of Bowen Island Surplus Lands

Pursuant to your request, I have completed a valuation of Bowen Island Municipality's surplus lands in Snug Cove.

The following are the highlights of the valuation analyses summarized in Table 1, Bowen Island Surplus Lands Valuation, and detailed in the attached appendices.

1.0 Background

The Surplus Lands Working Group has identified three surplus land parcels they wished to examine for valuation and possible disposition (refer to Fritz Devries work identifying the parcels and the development variations to be examined in the valuation of the parcels).

- 1) Parcel #1: the large L shaped property on Mount Gardner Road. Six different development scenarios have been examined for the site, with variations being based on development of different sized single family lots, townhouses, apartments and commercial space.
- 2) Parcel #2: located by the Bowen Island Community School, west of Miller Road.
 - a) Eight development scenarios have been examined for the lands.
 - b) Contains a small mixed-use parcel (10 residential units over 6,000 sq.ft. of retail space) on Government Road for 3 of 8 scenarios examined for these lands. Described as "Mixed use on 2.1, 2.5 and 2.5" on Table 1. While it is considered as part of three of the development scenarios, this site has been valued separately to enable the Surplus Lands Working Group to identify its value for possible disposition apart from the remainder of parcel 2.
- 3) Parcel 3: by the RCMP station east of Miller Road.
 - a) Seven development scenarios have been considered for the site.
 - b) Also contains a small mixed-use parcel on Government Road for 3 of 8 scenarios examined for these lands. Described on Table 1 as "3's Mixed". While it is considered as part of

some development scenarios as defined by the Surplus Lands Working Group, it has been valued separately to enable the Working Group to identify its value for possible disposition apart from the remainder of parcel 3.

The underlying land value and financial feasibility of developing the properties has been examined using traditional developer proformas properties which illustrate what a developer could afford to pay to acquire the properties (refer to developer proformas in attached appendices).

2.0 Assumptions

The financial and land valuation analyses I have undertaken are based on the following assumptions:

1) The nature of market demand and development opportunities.

Whether being considered for new single family, multiple family or commercial land uses, the Bowen Island development market is very limited in potential.

a) Over the recent past, the new single family market has been less than 15 units per year.

b) No multiple family development has occurred on the Island. There are quite different views amongst those familiar with the Bowen residential market as to what the potential is for multiple family housing. Based upon my discussions with realtors and developers, I believe that annual demand would be less than 25 units per year for the next 2-3 years, rising to between 25 and 50 for the following five years.

c) The market for new commercial space is very limited. I believe that at most the market could possibly absorb between 5,000 to 6,000 sq.ft. of commercial space over the next 3-5 years.

i) Even with that limited amount of commercial space, there is an issue as to whether tenants could pay sufficient rents to make new development viable investments.

ii) However, the issue of whether a commercial or mixed residential and commercial development on Government Road may be economic is not likely to be a defining issue as recent sales of properties along Government Road seem to indicate that purchasers are willing to acquire lands at prices that do not produce viable economic investments as measured by traditional investment

criteria. These acquisitions appear to be driven more by speculative motivations.

- iii) Some of the development scenarios being considered for the three surplus lands parcels contain a large amount of space, more than what could reasonably be absorbed by the market within a year. For example, parcel 1, contains proposals for between 19 and 68 single family lots. In my view, the maximum market demand for these lots would be in the order of 10 units per year. This should lead the Surplus Lands Working Group to consider a phased disposition of the lands. Otherwise, developers would have to land bank and absorb holding costs which would require them to offer a lower price for the land.

2) I have drawn upon multiple sources to obtain the revenue and cost inputs for my valuation analyses.

a) Revenues

- i) General sources included the B.C. Assessment Authority, local realtors and developers.
- ii) Refer to Table 1 plus individual proforma analyses to view the revenue assumptions I employed in my analyses.
- iii) Single family lot prices have varied between \$200,000 and \$325,000 (depends on location, size, servicing and view potential).
- iv) Multiple family strata prices have varied between \$324,000 and \$495,000.
- v) Commercial rents have varied between \$20 and \$30 net per sq.ft.

b) Costs

- i) Servicing costs have been provided by Brad Hawthorn – Public Works Superintendent for Bowen Island Municipality.
- ii) Building hard construction costs are based on discussions with local developers.
- iii) Development or soft costs are based on industry standards. Examine individual development proformas in the attached proforma analyses in the appendices to view individual assumptions.

3.0 Value of Surplus Lands

The following summarizes our findings with respect to the value of the surplus lands.

1) Land Value Range, Parcel 1

- a) Refer to Table 1, Bowen Island Surplus Lands Valuation.
- b) Values range between \$977,000 to \$7,255,000.
- c) Land value is maximized with 68 small single family lots.

2) Value Range, Parcel 2

- a) Refer to Table 1, Bowen Island Surplus Lands Valuation
- b) Note that the small mixed-use parcel on Government Road containing 6 residential units over 6,000 sq.ft. of commercial space is valued separately from the remainder of parcel 2. I have estimated its value at \$420,000.
- c) The remainder of parcel 2 has a value between \$745,000 and \$4,376,000.
- d) I believe the most realistic value would be set by use of the parcel for 16 single family lots or 40 townhomes.
- e) The value of land for 176 units and 20,000 sq.ft. of commercial space is unlikely to be realized – this is too dense a development for the Bowen Island market. This particular mix of uses would best be considered for sale in the distant future when there was sufficient demand to warrant such a dense concept being able to be more realistically considered.

3) Land Value Range, Parcel 3

- a) Refer to Table 1, Bowen Island Surplus Lands Valuation
- b) Note that the value of the mixed-use parcel on Government is again separate from the remainder of parcel 3. Further, its value is described for two development scenarios:
 - i) 10 strata units over 7,000 sq.ft. rental
 - ii) 20 strata units over 14,000 sq.ft. rental

The value of this mixed-use parcel varies between \$505,000 and approximately \$2,000,000.

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- c) The value range of the remainder of parcel 3 is between \$376,000 and \$3,459,000. The value of these lands is most likely able to be maximized with townhouse development.

4.0 Disposition Strategy

My discussions with the Surplus Lands Working Group have focused on how to dispose of lands to pay for \$2 million debt used to acquire surplus lands from GVRD.

- 1) It appears to me that the best strategy for accomplishing this is to focus initially on the Mount Gardner Road parcel. This parcel could be sold in phases to easily realize the required \$2 million and leave the Municipality with the ability to market the remainder in phases. This would allow the Municipality to generate the maximum revenues from this parcel.
- 2) Parcels 2 and 3 could be held off the market to allow a phased sale of lands to take place at a time when demand for residential and commercial space is stronger, and hence the value of these lands higher.

I trust that these comments will be of assistance to you and the Surplus Lands Working Group and your deliberations regarding a surplus lands disposition strategy. Please call me if you have any questions regarding my analyses.

Yours truly,

G. P. ROLLO & ASSOCIATES LTD.

A handwritten signature in dark ink that reads "G. Paul Rollo". The signature is written in a cursive style and is underlined with a single horizontal line.

G. Paul Rollo

GPR/ms

Bowen Island Surplus Lands Valuation
Economics from Perspectives of Bowen Municipality, Developers and Buyers

Parcel/option	MUNICIPAL PERSPECTIVE						DEVELOPER PERSPECTIVE				BUYER/RENTER PERSPECTIVE			
	Type of Development			Comm SF	Civic	Land Value	Serviced Lot Price	Lot Size	Developer Profit		Yield IRR	Condo Price		Commercial Rent/SF
	SF lots	Thse	Apt						\$s	% to cost		Total	/sq.ft.	
1.1 sf lots	19					2,845,250	300,000	1 acre	721,246	15.0	n/a	n/a	n/a	n/a
1.2 sf lots	40 cluster					4,109,000	225,000	1/3rd acre	1,138,493	15.0	n/a	n/a	n/a	n/a
1.3 sf lots	68 small					7,225,000	200,000	7,200 sf	1,720,628	15.0	n/a	n/a	n/a	n/a
1.4 apts			90			1,052,100	n/a	n/a	3,893,291	15.0	n/a	342,000	380	n/a
1.5 sf lots	13					1,699,750	275,000	1 acre	452,293	15.0	n/a	n/a	n/a	n/a
1.5 civic					56-106,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1.6 mixed			50		40,000	977,011	n/a	n/a	-2	-2.1	9.53	324,000	360	20
2.1 sf	9					1,337,625	325,000	1 acre	370,181	15.0	n/a	n/a	n/a	n/a
mixed use on 2.1, 2.5, 2.7	small site on govt road res strata; comm rental		6		6,000	420,000	n/a	n/a	-1,154,015	-20.6	5.37	360,000	400	30
2.2 sf	16					1,390,080	225,000	6,000 sf	455,533	15.0	n/a	n/a	n/a	n/a
2.3 sf	16 cluster					1,432,160	225,000	?	455,583	15.0	n/a	n/a	n/a	n/a
2.4 thse	conservative land valuation	40				1,398,400	n/a	n/a	1,948,747	15.0	n/a	385,000	350	n/a
2.4 thse	optimistic land valuation	40				2,888,000	n/a	n/a	2,226,386	15.0	n/a	440,000	400	n/a
2.4 thse	really optimistic valuation!	40				4,376,400	n/a	n/a	2,505,520	15.0	n/a	495,000	450	n/a
2.5 apt			60			837,000	n/a	n/a	2,596,269	15.0	n/a	342,000	380	n/a
2.6 mixed			50		36,000	744,828	n/a	n/a	-2,312,741	-9.1	10.68	342,000	380	20
2.7 mixed			176		20,000	3,075,862	n/a		2,315,224	3.8	13.78	342,000	380	20
3.1 sf	3					376,140	350,000	1 acre	132,832	15.0	n/a	n/a	n/a	n/a
3's mixed	small site on govt road res strata; comm rental		10		7,000	505,263	n/a	n/a	-332,226	-5.1	8.46	360,000	400	30
3's mixed	small site on govt road res strata; comm rental		20		14,000	2,021,053	n/a	n/a	7,478	0.1	10.46	360,000	400	30
3.2 sf	17					2,589,610	250,000		537,662	15.0	n/a	n/a	n/a	n/a
3.3 thses	conservative land valuation	32				1,076,800	n/a	n/a	1,559,082	15.0	n/a	385,000	350	n/a
	optimistic land valuation	32				2,268,160	n/a	n/a	1,781,592	15.0	n/a	440,000	400	n/a
	really optimistic valuation!	32				3,459,200	n/a	n/a	2,004,500	15.0	n/a	495,000	450	n/a
3.4 mixed			42		30,000	1,168,966	n/a	n/a	-364,620	-1.6	9.05	342,000	380	20
3.5 civic					40-80,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3.6 apts			53			716,825	n/a	n/a	2,293,796	15.0	n/a	342,000	380	n/a