

SODC Land Valuation and other questions

1. What is the value of the SODC lands, before and after rezoning/servicing?

Value As Is

The SODC lands are zoned industrial, are not serviced (other than to allow limited industrial use), and require extensive remediation.

The land was appraised “as is” prior to the issuance of the Request For Proposals (RFP) at \$20 million. The result of the RFP shows that this appraisal was optimistic.

Implied Market Value

The lands were offered to the market in an open, widely publicized, competitive RFP and the best offer that was received was \$15 million cash, an interest in a limited partnership (that could result in a future additional payment) and the value of a developed park.

Value after Rezoning and Servicing

Portions of the site will be worth considerably more on a per acre basis after rezoning and servicing, once the land is subdivided and ready to be sold as development-ready parcels.

However, the cost of off-site and on-site servicing is very high to achieve this increased value. The most current estimates show total off and on-site costs to be about \$115 million not including inflation. Of these, approximately \$39 million of the off-site costs are potentially recoverable from the negotiated DCC-related mechanisms but only within a twenty year window and another \$10.6 million is potentially recoverable from adjacent sites pursuant to a latecomer arrangement, but only if the adjacent sites develop within twenty years. Newport Developments is accepting the risk of not being reimbursed should development not occur within the time limits agreed upon.

The municipality has retained independent advice on the issue of land value. The consultant’s opinion is that the municipality is not leaving any money on the table in the deal with Newport. In fact, the proposed deal is financially attractive to the municipality, because of the upfront payment of \$15 million and the developer’s willingness to pay upfront for DCC works that would otherwise have to be paid for by the municipality if the Oceanfront development, including the waterfront park, is to be achieved in accordance with the Sub Area plan.

2. Why would a developer want to develop the SODC lands if they might not be highly profitable?

There are some possible explanations why would a developer proceed with this project, even though it involves risk and may not produce a significant profit from land development:

The developer shares the community vision that was articulated in the Sub Area Plan.

- The developer expects to spend money at the SODC site (helping Squamish increase its overall appeal) and make money on other developments in the community that benefit from the amenities being created at the waterfront site.
- The developer is creating a long term guaranteed supply of development parcels. The developer will make money on building the end products (residential units, commercial floor space) and is content to not make much money on the land development component.

3. How have changes in land value since negotiations started impacted the terms of the deal?

The DOS entered into negotiations based on an offered price for a marketing process that lasted more than a year. The negotiations to conclude the deal are taking a long time because the deal is complex. As such, the negotiation is proceeding based on the offer received. The municipality does not perceive that the economics of the development have changed materially since negotiations began, so is still proceeding with refining the offer originally received. If market conditions improve, and the developer does better than anticipated, this increases the likelihood that the project will be completed more quickly, which is good for Squamish.

4. Why does the project include a Revitalization Tax Exemption? Shouldn't we reserve an RTE for times when the market is soft, or at least adjust the RTE down to reflect the increase in land value?

The RTE is only applying to new improvements, not land value, and the RTE is intended to put SODC and downtown (where there is also RTE) on a level playing field. The DOS is using various levers to help get this to the point at which it could be a workable project, because DOS puts a high priority on achieving what the project can yield in terms of park, amenity, waterfront access and so on. As noted above, this is a very expensive land development project that delivers significant amenities to the community. Without municipal incentives, such as the RTE or the agreement to reimburse some DCC related costs, the project as envisioned may not proceed at all.

5. Why are DCC funds being used to pay for infrastructure needed for the SODC project?

Consistent with Provincial *Local Government Act* (LGA) and Development Cost Charges (DCC) Best Practice Guide, DCC funds are used to pay for off-site eligible infrastructure works (identified as future DCC eligible projects) required to support growth.

The SODC lands are located on a peninsula that also includes other potential development sites. All of these lands require upgrades to municipal infrastructure to allow development. The peninsula-related infrastructure projects that have been included in the DCC bylaw are projects that serve the whole area, not just the SODC lands, and some of these works also provide infrastructure that will be necessary to support future development in the downtown area.

The DCC bylaw is not being used to pay for works that only benefit the SODC lands, and all DCC-funded projects are off-site.

- a. Is the level of DCC-funded projects for the SODC development comparable to other developments? If not, why not?

Peninsula development is projected to create a growth in population with 1100 homes, commercial and retail as described in the Sub Area Plan. The off-site DCC infrastructure projects required will support this level of growth *and* additional growth in the downtown area. The DCC bylaw is the mechanism used to collect funding from developments today to be used later to fund and share the cost of future infrastructure amongst all the development in Squamish that created the need for additional infrastructure.

- b. If there is a discrepancy, is this because other developers don't take full advantage of DCC's (and the corresponding municipal contribution)?

There is no discrepancy; based on the principle of Growth pays for Growth, DCC projects are identified to support the growth, and DCC fees are levied to the new development to pay for future projects.

- c. Do developers need to actively do something to ensure infrastructure related to their projects take full advantage of DCC's?

Normally, all off-site projects are DCC eligible and the details are established at the time of the Servicing Agreement. If the District has not identified the off-site works that would benefit more than one development and included it in the DCC bylaw, a new development may be requested to provide the additional off-site works.

6. What are the criteria for whether or not a development can enter into a DCC “front-end” agreement?

Any developer may be interested in entering into a DCC “front-end” agreement when their project requires off-site infrastructure that is identified as DCC works that the municipality is not ready to construct.

7. If another downtown developer wanted a similar front-end could we afford that? Is there a cap or a way to ensure that front-end agreements are made available equally, or is it simply first-come-first-serve?

Any development can involve a DCC front-end and each front-end will involve negotiation of the terms of reimbursement.

8. Assuming Newport goes forward as currently structured can DOS afford to enter into a DCC front-end agreement for any other large development projects?

There are too many variables to accurately answer this question. DOS modeled the effects of the SODC front-end agreements and included all other DOS works and other DCC projects anticipated over a twenty year period and determined that it was affordable. If another large, project came along that created growth that has not been anticipated, and therefore not already identified as DCC projects, or wanted to accelerate other projects within the DCC Bylaw, then probably not for the foreseeable future.

9. All things considered is DOS better off doing the SODC deal or leaving this (and other peninsula) land fallow and letting other lands that are already serviced develop first?

Council has to date indicated that there is a priority on developing the SODC lands. The District’s financial analysis determined that DOS would be in a moderately better position doing the SODC deal than “no development of the SODC land” scenario. It is true that development of the peninsula requires DCC investments, but the developer is willing to front-end much of this cost i.e. accepting the risk of not being reimbursed for the DCC works within the time agreed upon. The developer is also paying DOS \$15 million that will retire the debt on the land, which will more than satisfy SODC transaction costs, and is to deliver a bigger and better park at a cost of more than \$5 million than initially proposed.

Not completing the deal with Newport is not just about avoiding the cost of developing the peninsula. It is about fulfilling the Community Vision for the area, removing the SODC debt

obligations, transferring responsibility for remediation of contaminated lands *and* providing the community a well-developed park that some believe will become a hallmark for Squamish.

If there were no SODC debt, there may be a fiscal argument to be made for infilling before opening up new growth areas, but then the community would not get the waterfront amenities that are anticipated with the development of the SODC lands. The community visioning process for the SODC lands supported the community gaining access to the oceanfront.

10. If there has been a significant increase in in SODC land value of the past couple of years, would it be reasonable to use increased CAC's (Community Amenity Contributions) or some other tool to have the developer cover more of the SODC-related infrastructure costs such that taxpayer impact of developing these lands isn't greater than doing alternative infill development downtown?

Please see #1 above. The SODC project is in fact providing substantial community amenities, even though there is no CAC policy in place. Amenities include the Oceanfront Park, waterfront public walkways and trails, public art, sailing centre, windsports centre and beach areas, boat launches, public open space and greenways, and other things. Notwithstanding any growth in market values over the past couple of years, the SODC project is still financially challenging there is not financial room for the project to provide more amenities (or pay a materially larger share of cost).

11. Have we modeled cost differences for policing, ambulance service and fire protection for SODC compared to infill development?

Presumably with SODC we're expanding the land area that needs to be patrolled and protected and therefore they increase our taxpayer costs more than infill development.

Yes, assumptions for the costs associated with the growth anticipated in the community over the twenty year time frame were used to approximate the costs of such impacts on servicing. The financial modelling accounted for increased operating costs to serve a growing population, but did not look in detail at difference in operating costs depending on the location of growth.

12. Can we manage something along the lines of the Cheekeye development as well as the proposed SODC development concurrently?

Generally, DOS policy is that growth pays for growth. If new large developments come on stream, such as the Cheekeye Development, and the existing level of development continues, the fees from the major projects would provide the additional resources needed to support the

project. In addition, major projects like the Cheekeye are beyond the planning of the OCP. Additional studies would be needed to determine the infrastructure upgrading that is required to support the projects.

13. Is SODC meant to drive growth, or simply accommodate growth that would happen regardless of SODC? If it is the former, what's our growth target (magnitude and timeline) and how are we going to measure whether or not it's had its desired effect?

The SODC project is to deliver the community's vision for access to the waterfront. The OCP currently projects that the District's population will double in the next 25 years. In addition, the OCP policies direct for densification of development, and vitalization of the downtown area. The SODC project will help deliver on these policy objectives. Most of the residential development that will occur on the SODC lands would occur elsewhere in the community if SODC does not proceed.

14. SODC is meant to help satisfy some of the goals/policies in our OCP. How are we going to measure the success of SODC in achieving those goals? For example, one of our goals is to, "Make efficient use of the limited land base". How will we know objectively if SODC (or any other development) is meeting this goal? One idea might be a metric around direct infrastructure cost per job or bed at any given development?

The District expects to be able to measure and report on these policies. The District is currently designing benchmarking in order to objectively assess the District's ability to deliver on its goals and objectives.