

**Opportunities for Downtown Development**

**For**

**The City of Langley**

**G. P. Rollo & Associates Ltd.  
Land Economists  
September, 2008**

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September 15, 2008

Gerald Minchuk, Director  
Development Services & Economic Development Department  
City of Langley  
20399 Douglas Crescent  
Langley, BC V3A 4B3

Dear Mr. Minchuk,

**Re: 7 Case Study Analyses, Langley Downtown**

I have now completed preliminary financial analyses of the final 7 case study sites in downtown Langley City and report the results of my analyses as follows.

1) Scope of Work

- a) The City of Langley is examining the economics of its downtown Master Plan. G. P. Rollo & Associates has been retained to assess the underlying economic potential of the Plan by examining the viability of 7 downtown development sites.
- b) The 7 sites have been identified by the City of Langley. I have inspected each site and contemplated how development trends over the next 2 decades are likely to impact the development potential of downtown Langley and each of the 7 sites. My assessment of future development potential is based upon a review of the Colliers Hudema report (contained in the Master Plan Study) and my experience in observing development trends throughout the Lower Mainland over the past 35 years.
- c) Specific development concepts for each site have been based on discussions with MVH Associates (Michael von Hausen), Mark Ankenman and the City of Langley. Concepts for each site have been prepared by Mark and submitted to the City under separate cover. The accompanying financial summary contains a description of the site area, FSR and mix of land uses assumed for each site.

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- d) The objectives of these financial analyses are to:
  - i) Illustrate the viability of developing in the downtown today.
  - ii) Equip me to discuss how economic forces are likely to change and improve the viability of development in the downtown over the next 20 years.

## 2) Methodology + Assumptions

- a) The financial analyses are standard development industry "proforma analyses" for residential, commercial office and retail and mixed residential and retail development. Refer to the accompanying excel file to view the format and underlying assumptions for these developer proformas.
- b) Because of the relatively high cost of acquiring property, low FSR's (shaped by parking requirements and low building heights) that have been assumed for the sites, and the (soft) state of demand for downtown residential and commercial space, some of the returns we have estimated are lower than what most developers would like to obtain. However, we believe that in most cases the results do indicate the potential for downtown redevelopment is close at hand and likely to emerge over the next five years.
- c) Revenue Assumptions
  - i) Residential revenues: \$380 per sq.ft. for low rise and \$580 per sq.ft. for high rise condos. Note that these are prices that would be realized in the middle of a marketing program for a project that would start construction today, i.e. these are prices that would be realized between 1.5 to 2.5 years from now.
  - ii) Commercial revenues: \$25 N3 for office and \$35 N3 for retail.
- d) Land value assumptions: the acquisition price for the 7 sites is based on 1.2 times the 2008 assessed value of each property.
- e) Construction and development cost assumptions:
  - i) Low-rise residential: \$175 per sq.ft. of gross building area
  - ii) Mid and high-rise residential: \$270 per sq.ft. of gross building area
  - iii) Commercial office and retail: \$200 per sq.ft. of gross building area.

- iv) Separate parking utilized for sites 14 and 19: \$40,000 per underground stall.
- v) Soft costs are detailed in each of the 7 proformas and are based on industry standards. Typically soft costs are in the order of 20% of land and construction costs.
- f) Profit expectations: a target profit requirement of 15% on project costs is utilized in the proforma analyses.

### 3) Results of the Financial Analyses

The results of the financial analyses are contained in the attached "Financial Analyses – 7 Downtown Case Study Sites". Highlights of the financial analyses are:

- a) All of the sites are viable or marginally viable.
- b) The viability of sites with long term and phased development potential is measured by internal rate of return on cost - sites 14 (mixed residential and commercial), 18 (hotel) and 19 (mixed residential and commercial). Sites 14 and 19 have good indicators of project viability. Site 18's low internal rate of return indicates that it may be necessary to delay development until the market becomes stronger than we believe it is today.
- c) The viability of sites with short term development potential is measured by profit to cost (sites 4, 6, 15 and 24). The viability of sites 4 and 5 is acceptable, but lower than developers would wish to secure (a 15% profit being an industry target). Site 24 meets the industry's target for viability.

### 4) Summary observations re Development potential

- a) Downtown Langley is entering a period of transition that will see it experiencing sustained growth of mixed use and higher density development over the next two decades.
- b) Residential and commercial demand and soft market conditions are not yet strong enough to support much short term redevelopment in the downtown.
- c) It could take 5+ years before the extent of the downtown's development potential is evident and is clearly being pursued by the development community.
  - i) The current downtown in the economy, housing and commercial markets could delay the downtown redevelopment for 2 +/- years.

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- ii) Within a decade, i.e. by 2018, we envisage a significant increase in downtown residential and commercial development taking place.
- iii) By 15-20 years from now downtown Langley City will be radically transformed and has the potential, to become one of the Lower Mainland's more attractive urban communities.
- d) The addition of multiple family housing in single and mixed use development is the key to the growth of downtown Langley City. Attracting housing to the downtown will facilitate development of a more urban environment and support existing and new downtown businesses.
- e) The market is ready for the introduction of high rise residential in downtown Langley. The market will be limited to 1 tower every 2 +/- years for the next 4-6 years, but after that high rise residential development will be highly sought after and become a dominant feature in downtown Langley.
- f) A key planning principle that must be followed is concentration rather than continuing dispersal of retail businesses. More concentrated retail development will be a catalyst for successful retail development in the downtown and enable development of a more viable niche market to compete with retail development in the surround Township commercial area.
- g) Nature of development opportunities ahead of us?
  - i) Short term (up to 5 years):
    - Multiple family development on 56<sup>th</sup> Avenue, Douglas Crescent and Park Avenue. Predominately low rise (4 storey), with potential for at least 1 high rise.
    - Legion site at Eastleigh Crescent and 56<sup>th</sup> Avenue
  - ii) Mid-term (6-10 years):
    - Mixed-use (but predominately residential) on Fraser Highway.
    - Beginning of redevelopment of Fraser Highway between 204 and 206th Streets.
    - Beginning of phased redevelopment of Langley Mall.
    - Beginning of phased mixed use development of property at northwest Glover Road and Logan Avenue

- iii) Long term (10-25 years):
  - Continuing redevelopment of Langley Mall
  - Mixed use redevelopment of downtown areas including
    - 203 St./56th Avenue and Fraser Highway
    - 56th/Logan Avenue triangle
- iv) Redevelopment of area bounded by 203 Street, Logan Avenue, 203A Street and Fraser Highway.
- h) The economics of development are in a constant state of flux. While the economics of development at this time are supportive of only limited redevelopment, circumstances will change to significantly increase development opportunities in downtown Langley:
  - i) Increased demand for downtown housing will support the acquisition of downtown properties plus limited high rise development.
  - ii) Development throughout the downtown is currently inhibited by low FSR's which are necessitated due to parking requirements and costs plus restrictions on building height. Market demand is not yet sufficiently strong to support economic selling prices and lease income to create viable development in the downtown.
  - iii) The economics of development will initially be most favourable south of the Fraser Highway and over time shift to the north.
  - iv) Initially redevelopment will be focused on vacant or under-utilized sites. Past 10 years, demand will have increased to facilitate redevelopment of developed sites. Past 15-20 years, demand for high density (tower) development facilitate the development of many downtown commercial sites.
  - v) Excellent development opportunities will slowly emerge for larger, mixed use and phased redevelopment of sites such as Langley Mall and areas to the north of the Fraser Highway.

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- vi) Over time, these development opportunities will create viable development and business opportunities in the downtown and in the final analysis create the attractive urban environment envisaged in the Downtown Master Plan.

I trust that my analyses and comments will assist the City of Langley in planning for the growth of Downtown Langley.

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

**FINANCIAL ANALYSES - 7 DOWNTOWN CASE STUDY SITES**

<u>Site #</u>	<u>Use</u>	<u>Site Area</u>		<u>FSR</u>	<u>GBA</u>	<u>Building Height</u>	<u>Development</u>		<u>Residential Units</u>	<u>Commercial Space (sf)</u>	<u>Parking Stalls</u>	<u>Indicator of Viability</u>	
		<u>Sq.Ft.</u>	<u>Acres</u>				<u>+ Sales (years)</u>	<u>Profit %</u>				<u>IRR</u>	
4	LR Residential	42,410	0.97	2	67,856	4	2.25	63	0	95	10.33	n/a	
6	HR Residential	34,939	0.80	3	115,300	15	2.75	120	0	180	10.90	n/a	
14	HR Residential +Commercial	370,696	8.51	3	1,100,000	15	8.00	925	95,909	1,655	n/a	16.47%	
15	LW Residential	73,231	1.68	1.60	117,170	4	2.25	120	0	180	15.80	n/a	
18	Hotel	71,085	1.63	2.30	164,693	15	2.75	356	0	356	-10.73	5.53%	
19	HR Residential +Commercial	458,761	10.53	2.7	1,217,759	15	11.00	1,140	72,463	1,912	n/a	19.06%	
24	LR Residential	51,298	1.18	1.8	92,336	4	2.25	88	0	137	15.18	n/a	