Real Estate Development Analysis
Copyright, July 14, 2006

PRODUCED BY:
JLerner + Associates

PUBLISHED BY:
Economic Development Association of BC

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Real Estate Development Analysis

The purpose of this section is to provide an overview of principles and tools to assist the community economic development practitioner in analyzing and promoting real estate development. Much of the discussion revolves around public sector involvement in real estate development but many of the principles and tools are borrowed from the private sector and thus transferable between both worlds.

Public involvement with real estate development typically involves the investment of time or money in four general areas:

1) Marketing of public lands for development;
2) Management of development on public lands;
3) Coordination of private lands for revitalization; and,
4) Shepherding developers through the public process associated with development.

This report will primarily cover pre-development planning for development on public lands, which is the foundation for the first three roles, whether in preparation for public sector led development or for a public-private partnership.

The term “real estate development” will be used to mean green field development (development of raw land), redevelopment or revitalization (refurbishing or demolishing and rebuilding), brownfield development (reclaiming polluted land for development) and/or the major refurbishment of municipal utilities and transportation systems (as is typical of a public-private franchise arrangements).

The section begins with a discussion of real estate development principles and then discusses the process for evaluating a real estate opportunity or “pre-development planning”. The next section touches on planning for private-private partnerships (P3) and is then followed by three notable examples of successful P3 projects. Following this are appendices, which document: 1) an example of a property inventory form, 2) a brief discussion on land assembly for development and finally 3) a brief discussion of the Community Charter and its relevance to private-public partnerships in BC.
**Highest and Best Use Analysis**

It is not uncommon for an Economic Development or a public official to be confronted with decisions about what to do with “surplus” or under-utilized public land. They might ask themselves:

a. Should the land be developed or left vacant?
b. What kind of “improvement” (asset) should be built?
c. Should the existing improvements on the property be maintained in the current state or should they be altered in some manner to make them more valuable or useful?

Deciding what the best use of a property is can involve many factors, especially when public property is involved. These include:

- Market demand;
- Financial viability;
- Legal permissibility;
- Administrative and political acceptability;
- Tax maximization or minimization;
- Physical possibility;
- Economic diversification benefits; and,
- Employment creation potential.

Obviously, the importance of these factors depends on priorities of the prospective developer but from a community development perspective, job creation, economic diversification and tax maximization are often considered very important criteria for land use decisions. They are, however, not always reliable indicators in and of themselves in the long run. If the community values sustainable land use, it generally wants to ensure that the land use is both legally and politically permissible and best suited to market conditions. One of the more practical and accepted methods for real estate development evaluation that encompasses many of these factors is called the Highest and Best Use Analysis method.

**HIGHEST AND BEST USE ANALYSIS METHOD**

Highest and best use analysis is a methodology that looks at four criteria against which to test a land use concept:

1) Physically possibility;
2) Legally permissibility;
3) Financially feasibility; and,
4) Maximal productivity.

Typically these indicators are tested against the property as if it was vacant first, even if improvements are present, since an existing building may not be
the best use of the property. If the existing use of the land is seen to be highest and best use, then existing improvements (buildings or structures) can be analyzed as well to determine if they should be renovated in some way, using the same indicators. If the existing use of the land is not the highest and best use, the methodology will help you establish what is.

Physically Possible
The first test of highest and best use is to determine if the development concept is physically possible. In this test we are determining what the physical characteristics of the site are and how they might affect its highest and best use. The size, shape, terrain, drainage and accessibility of the land, the presence of potentially toxic materials, current authorized or unauthorized uses, noise, fumes, local traffic flows and the risk of natural disasters affect uses to which land can be put. The capacity and availability of public utilities are also important considerations as are subsoil and topographical conditions. All of these characteristics need to be considered when considering a proposed land use.¹

Legal Permissibility
The second test in highest and best use analysis is to determine the legal permissibility of the land use concept. In this test, we are determining what legal or policy constraints might limit or preclude use of a particular site. Some common constraints include: existing deeds and long-term leases, zoning bylaws, building codes, historic controls, and environmental regulations. Public reaction from neighbouring users, or the general public (NIMBY resistance), can also pressure public officials into limiting certain developments. The developer needs to consider all of these legal or policy restrictions or the cost of changing them to determine if a particular range of uses are probable.²

Financial Feasibility
If the proposed new uses are physically possible and legally permissible, it is necessary to next determine if they are financially feasible. If the uses are income-producing, the financial analysis will likely focus on which potential uses produce an income equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization of the investment. If the uses are not income producing, the analysis will determine which uses are likely to create a value or result in a profit equal to or greater than the amount needed to develop and market the property under those uses. To determine the financial feasibility of a use that will not generate income, the developer compares the value of benefits that accrue from the use against the expenses involved. If the value benefits exceed

² Ibid. p 12.5-12.6
the costs, the use is considered feasible. Successful application of financial feasibility to land relies on interpretation of relevant and credible market evidence collected and analyzed in the market area and in the subject property’s competitive market (see a methodology for market assessment next section).  

**Maximum Productivity**

If the proposed uses of the property are financially feasible, the final test is to determine which use produces the highest residual land value or, in layman’s terms, which use produces the highest land value after development costs are subtracted (the cost of labour, capital and entrepreneurial coordination). In some cases, the highest and best use of a property may not be its existing use but the costs of demolishing the building and constructing another are prohibitive. In this case, the existing use may be considered an interim use until the markets warrant new investment costs.

If the highest and best use of the property is the existing use but some modifications are required, these modifications can be compared to determine which one has the highest rate of return. Once the developers have applied the highest and best use criteria to a property, they can proceed with a good rationale for development to a funder, lender or partner confident that their choice(s) are well thought out.

However, it should be noted that certain parcels of land can only achieve their highest and best use as part of an assemblage. In such a case, the developer must determine the feasibility and probability of assembly. This may be the case where individual tracts of land may not have the same potential for development as a large parcel might have. In this case, a process of assembling contiguous land should be explored (see Appendix 2 for a discussion on the land assembly process). However, that assemblage of a tract of land will often demand a higher than market prices, especially properties acquired near the end of the assemblage process, because the sellers may know that the supply of contiguous land is limited.

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3 Ibid. p 12.8.
5 Ibid. p 12.9.
Pre-Development Planning

A real estate development project usually starts with an idea, which may be based on intuition, a perceived need or an expressed market demand. In the case of community development this might include the development or expansion of an existing industrial park, a commercial district, a recreational facility, a resort, a residential development or the development or upgrade of a public utility. The developer may be a local government, an economic development corporation or a private company or partnered with a local government (public-private partnership).

An idea may be vague or it may be precise but it only starts to become realized when it is written down and examined in a methodical way. The method is termed “pre-development planning” and it should involve a mix of quick analysis and detailed analysis, that allows you to discard obvious non-viable ideas and analyze in detail more viable options. Also because, in this case, development will involve public land or the coordination of private interests for the public good, the process needs to include an appropriate consultation process in order to secure community buy-in at various stages of the development.

There may be a number of methods for analyzing a real estate development idea. Below is an outline of one approach that may be used.

Quick Analysis
1) Organizational Alignment
2) Site Analysis
3) Market Analysis
4) Quick Financial Feasibility

Detailed Analysis/Work
5) Cultivate Political/Public Support/Vision
6) Identify Development Team
7) Due Diligence
   a. Physical Inspection
   b. Detailed Market Analysis
   c. Planning and Zoning Investigation
   d. Detailed Financial Analysis
   e. Verify Financing
   f. Survey, Legal Description and Title Check

Note: Throughout the discussion process, there are references to various data needs. Where common sources for the data are known, they are referred to in relevant footnotes. Also, please see Appendix 1 for a checklist of pre-development steps for quick reference.
ORGANIZATIONAL ALIGNMENT

The first test in beginning to analyze a real estate development idea is for the developer to determine whether the concept is consistent with:

1) The organization’s mission and capacity;
2) The organization’s roles and responsibilities;
3) The skills and experience and/or time availability; and,
4) What the organization does best.

If the answers are yes, the developer can move on to a quick market analysis to determine if there is demand for the proposed concept. If the answer to any of these questions is no, then the developer should probably reconsider the idea or perhaps consider delegating it to some other development entity. It is not uncommon these days for municipalities to enter into a private public partnership (P3) to develop many projects. In this case, the municipality still needs to do pre-development planning but implementation of the project is eventually handed off to a private partner (see section 4 for more discussion on private-public partnerships).

PRELIMINARY MARKET ANALYSIS

A market analysis is comprised of two components:

1) Analysis of market demand for a particular real estate product; and,
2) Analysis of supply of similar or competitive real estate.

In a preliminary analysis the developer is just looking for key information on demand and supply to move them forward.

If the proposed development project is a P3 utility or transportation project, the general objective of the market analysis may differ slightly, since P3s often involve monopolies and have no competition. In this case, the market analysis may be more focused on how much the general public is willing to pay for the added or improved service, either through taxes or user fees.

If the market analysis is for a more typical real estate development project, “economic base” information will usually give one a good indication of market demand. This information usually includes:

• Population levels and growth;
• Employment levels and growth; and,
• Business formations.

7 Ibid. p 11.10.
These indicators will give you an overall picture of the health of the economy and its momentum.\(^8\) If these indicators are positive and strong, that is a good sign that demand may be strong.

Another key indicator (concerning leasehold developments) is the local area vacancy rate for competing developments.\(^9\) If vacancy rates are low, that is a good sign that demand is beginning to outpace supply.

**SITE ANALYSIS**

If a preliminary market analysis seems to indicate that demand is healthy and perhaps exceeding supply, the next step is to undertake a preliminary site analysis to ensure that your project can be efficiently and economically developed. A preliminary site analysis generally involves the following steps:

A. Canvas for sites;
B. Determine Ownership information;
C. Assess Physical Conditions; and,
D. Determine the Cost of Acquisition.\(^10\)

A detailed site analysis may also be required later in the feasibility analysis. It is more complex and generally needs to be carried out by an architect or engineer.

If the land in question is public property, information may already be readily available, and steps A through D may be skipped (proceed to section 3.4). In this case, however, the developer still needs to ensure he is aware of any encumbrances on the property (zoning restrictions, covenants, right-of-ways, or easements), since they may restrict potential uses.

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8 BCStats or StatsCan publish information on these indicators on their websites, although they can be dated or limited to larger regions. Alternatively, local population growth can be derived from changes in local property tax filer’s numbers. Business and employment growth can also be gauged by announcements in local papers regarding new business formations.

9 Canada Housing and Mortgage Corporation publishes annual vacancy rates for apartments in population centres with 10,000 more people. PriceWaterhouseCoopers also publishes condo rental vacancies for the large centres in BC. Alternatively, talking to a local real estate agent who handles rentals, perusing the classified ads or driving by some of the larger rental facilities in your market area may give you a more up to date and specific idea of your market.

The Agricultural Land Reserve (ALR) is a provincial zone in which agriculture is recognized as the priority use. Farming is encouraged and non-agricultural uses are controlled. The Agricultural Land Commission Act sets the legislative framework for the establishment and administration of the agricultural land preservation program. 

Local governments occasionally market foreclosure properties and provincial and federal governments occasionally market surplus lands, through land marketing corporations (e.g. Land and Water BC or Canada Lands Corp).


Agricultural Land Reserve
It is not uncommon in British Columbia for many cities and towns to contain land that is held in the Agricultural Land Reserve (ALR). Some of this land may be considered prime real estate development property but is not readily developable by local government or private entities because the province restricts this land to allowed agricultural uses only. Removing land from the ALR designation is not impossible but it is time consuming and therefore expensive and may not be a priority for site analysis for many business interests. For more discussion on ALR and property development see Appendix 2.

A. Canvas for Sites
Canvassing or searching for property is relatively simple task and can usually be completed quickly by enquiring with local realtors, well known property owners and/or various government property planners. There are also various websites that find and/or market specialized properties in the larger centres, which can be used to undertake cursory searches. See Appendix 1 for an example of a property inventory.

B. Determine Ownership Information
Once a desirable site is found, finding out who owns the property can be done in a variety of ways, including contacting a local realtor, the municipal or regional district tax or assessment offices or a BC Land Title and Survey office. This will provide preliminary ownership information through these sources, including a legal description of the property.

Though it is not necessary at this stage, ultimately, you will want to conduct a title or deed search to verify ownership and to determine if there are any other special rights associated with the property (e.g. mineral, water, or air rights) as well as any easements or private restrictions to the use of the property. The land title information should also include information regarding mortgages or liens held against the property. This information can be obtained directly through a BC Land Title and Survey office or indirectly through a local Government Agent’s office, a notary or lawyer’s office.

11 The Agricultural Land Reserve (ALR) is a provincial zone in which agriculture is recognized as the priority use. Farming is encouraged and non-agricultural uses are controlled. The Agricultural Land Commission Act sets the legislative framework for the establishment and administration of the agricultural land preservation program.

12 Local governments also occasionally market foreclosure properties and provincial and federal governments occasionally market surplus lands, through land marketing corporations (e.g. Land and Water BC or Canada Lands Corp).


14 Ibid.
Tax assessment information is also useful at this point, as it will include information about the size of the lot and structure, the zoning, the last date and value of assessment and value of local taxes. This is usually available at the local tax assessment office, if a proper legal description is presented.

C. Determine the Physical Conditions
Regardless of whether the site is a vacant lot, an abandoned building, or an occupied property, it must be inspected. In particular, the developer needs to note:
- The location of the property, its accessibility and local traffic flows;
- The size, shape and topography of the land;
- The soil conditions and drainage of the land;
- The presence of utilities and their capacity;
- The obvious presence of potentially toxic materials;
- Current authorized or unauthorized uses;
- The risk of harm from natural disasters (flooding etc.); and,
- The presence and condition of existing site improvements (buildings or other structures).  

It is a good idea at this point to record this information and take pictures or draw an approximate plot plan of the site for future reference. Once this information is assembled, the developer needs to ask himself if these characteristics are consistent with the general physical needs of the development concept. If they are not consistent, then a new site needs to be identified.

D. Determine the Cost of Acquisition
If the site is physically acceptable, the cost of acquiring the site needs to be determined. Often a good source for initial price information is your local realtor. He should be able to give the developer a few comparable sales if the property isn’t already listed. Do not count on the local tax assessment value to determine the property’s value, since it is usually at least one year out of date. For more precise information, a certified appraiser will provide the most reliable value of the property.

If the price of the potential project site is completely out of line with the market, there is no point in spending further time in researching the property. If however, the price is relatively consistent with similar property prices, then the developer should move next to obtain a legal or accurate map of the property and undertake a quick financial analysis.  

PRELIMINARY FINANCIAL ANALYSIS

Once a preliminary market and site analyses indicate support for the development project, the next step is to do a preliminary financial analysis to see if the project is economically viable. This process is fairly simple and only requires "ballpark figures". 17 This initial process includes:

A. Estimating the approximate development costs
   • Property acquisition costs (if relevant)
   • Average construction/renovation costs 18
   • Soft costs (legal, architectural, permitting fees, and hookup fees)
B. Estimating the available down payment, subsidies and financing costs 19
C. Estimating an operating budget

Costs
   • Real estate taxes
   • Utilities
   • Insurance
   • Mortgage payments
   • Maintenance costs
   • Management fees (if relevant) 20
   • Vacancy and collection losses (if relevant)

Revenues
   • Rental income (if relevant)

If the initial estimates result in a positive cash flow, the development may be economically viable. At this point, the project has reached a stage of "go or no go". Also, at this stage the developer has a sense of whether the development concept might be successful.

If the project does look promising and the developer is serious about the project, the next steps to consider is either taking an option 21 on the property or making an offer to purchase the property. If the property is public property, this is obviously not necessary.

17 Ibid.
18 This figure can be obtained by calling up one or two contractors in the area to get estimates. You will need to know the approximate square footage and have a general idea what type of building and amenities you want, including roads, parking lots, and utilities.
19 Financing costs can be done fairly quickly once an acceptable down payment is finalized. A bank or a mortgage company will usually give you an estimate over the phone or online calculators are available to do a basic estimate.
20 Vacancy rates can be determined by talking to local property owners or reviewing historical statistics (if available).
21 An option is simply an agreement with the owner to be given first right of refusal if another buyer comes along and is usually secured with a small deposit.
If the developer is an economic development agency or a municipality and/or if the development is contentious, it is next crucial to cultivate political or public support for the project.

**Cultivate Political Support**

Understanding “who’s who” in your local community and how much support is required are very important to building support for your project. The list of “who’s who” may start with: the local municipal or district planner, the town manager, the local mayor or town councilors. These officials will tell you:

- If you have their support;
- Who else you might solicit; and,
- What type of hurdles you may encounter and how to deal with them.  

If the developer is the local government, careful attention to communicating the concept and soliciting public feedback are necessary. This may involve advertisements in the local papers, open houses to present information and hear concerns or to facilitate visioning sessions. This may also continue throughout the project at various phases of development to maintain awareness and head off potential red flags (see the Strategis website for an excellent project). Either way consulting the local public and their representatives at the outset of the planning process is very important and may also create a sense of ownership in the project.

After consulting with local officials, it is often wise to thank them for their input. In the case of a political officials you may also want to ask them for a letter of support, especially if you are seeking provincial or federal funding for your development project.

**Identify a Development Team**

Once political support is fairly certain, it is time to identify a development team who will help design and construct your project. The development team will vary depending on the type and size of the project but they may include any of the following:

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23 The web address for the communications tool kit is at http://strategis.ic.gc.ca/epic/internet/inpue-bdpr.nsf/en/h_qz01558e.html
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<tr>
<td>Architect</td>
<td>Predevelopment drawings, specifications and estimates, preparing bid</td>
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<tr>
<td></td>
<td>packages, advising on contractors and subcontractors, engineers and</td>
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<td></td>
<td>other designers, supervising construction and change-order requests</td>
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<tr>
<td>Banker</td>
<td>Guidance on financing instruments</td>
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<tr>
<td>Engineer</td>
<td>Structural approvals, environmental assessment, public works design,</td>
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<td></td>
<td>plumbing, electrical, ventilation and heating systems design</td>
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<tr>
<td>General Contractor</td>
<td>Code compliance, hire and pay subcontractors, obtain permits, manage</td>
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<td></td>
<td>workflow and deliverables</td>
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<tr>
<td>Lawyer</td>
<td>Guidance re purchase option or contract for property, financing</td>
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<td>documents, partnership or tax issues</td>
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<tr>
<td>Developer</td>
<td>Manages the development process and may even finance and operate the</td>
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<tr>
<td></td>
<td>project (see section 3)</td>
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<tr>
<td>Property Manager</td>
<td>Tenant selection, leasing, rent collection, maintenance, compliance</td>
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<td>and security</td>
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**DUE DILIGENCE/DETAIL ANALYSIS**

Once a development team has been identified and political support is secured, detailed analysis of the project needs to be undertaken to verify its viability.

**PHYSICAL INSPECTION**

One of the key aspects of the project that first needs to be verified is the physical integrity of the site and its improvements. A preliminary review of this has presumably already taken place but now is the time for a thorough site analysis. This may involve the assistance of professionals to inspect the property and its improvements relative to building code, health code, environmental regulations and to the physical needs of proposed project.

Again, the following physical characteristics should be examined:

| Size and Shape | Is the size and shape the land and buildings appropriate to the use of the proposed use?  
| Is the division of space appropriate to the proposed use (e.g. office, bathroom, storage, utility space, etc)?  
| Are relevant building codes appropriate for the proposed use (e.g. fire resistance, structural strength, adequate light and ventilation)? |
| Soil Conditions | Are the soil and subsoil conditions appropriate for the proposed use (e.g. toxins, load bearing capacity, drainage, etc.) |
| Utilities | What utilities are available and what is the capacity of utilities serving the property (electrical, water, sewer, gas, storm drainage, telephone and cable) appropriate to the proposed use? If there is no water or sewer utilities, what is the onsite water supply and septic system quality and capacity? |
| Equipment and Mechanical Features | What is the state of the plumbing, heating, ventilation, air conditioning, HVAC and electrical systems? |
| Accessibility | What is access like to and from the property? Is there road or highway access and from which directions? What are traffic flows like? Is there adequate parking? Is the property visible from the street? |
| Environment | Is the property proximate to streams, wetlands, rivers, lakes or oceans? Is there a presence of wildlife or endangered species? Is the area prone to earthquakes, flooding or fire? Is there any site contamination in the buildings or on the land? |

**MARKET ANALYSIS**

A detailed market analysis can be as involved as the developer or his banker desires but unless the developer is qualified, he will likely have to obtain a specialist to undertake the work. Typically, the detailed market analysis is meant to quantify or verify your first perceptions regarding market demand and supply. It usually involves the following components:
A. Market Delineation;
B. Demand Analysis and Forecast;
C. Competitive Supply Analysis and Forecast;
D. Residual Analysis; and,
E. Capture Estimation.

If the project is a P3 project for a utility or a transportation service, again the market analysis is likely more focused public willingness to pay for added or upgraded public services.

A. **Market Delineation**

Market delineation is simply identifying or confirming the market area for the proposed property development. The boundaries for a market area the development is defined based on the following:

- Time-distance relationships – the commuting time to employment centres and support facilities;
- Social or political boundaries – school districts, voting precincts, trading area, demographic or economic characteristics, trade routes or transportation interchanges;
- Man-made or natural boundaries - major thoroughfares, physical boundaries; and,
- The location of competitive supply.  

B. **Demand Forecast and Analysis**

Economic base analysis is the foundation for this demand analysis, which was discussed above. However, there are also specific indicators for particular types of the real estate development, which may give additional insight into demand:

- Residential housing – House price increases are important. Have they increased significantly (over 20%) in the last year. If so, the rise in prices may indicate excess demand. Household income is also important since incomes need to be high enough to afford mortgage payments, which typically should be no more than 30% of after tax income.


- Manufacturing space – Are industrial rents high or have they risen significantly. Is export activity healthy? Are many of the “garage-based” manufacturers busting out at the seams or causing neighbourhood complaints. A yes to any of these questions may indicate good demand for additional industrial space.

  26  House and condo sale information is available through Realtylink.org on a monthly basis for the Lower Mainland as well as on various regional Real Estate Board sites. Alternatively, discussions with your local realtor may provide with up to date information. Household income by renter and owner can be accessed through Statistics Canada.
• Retail development – Retail sales growth or the percentage of household income spent on retail products are important indicators.\(^{27}\) If either of these indicators are above the norm, there may be good demand for more retail space.

• Office space development - the growth of the local workforce requiring office space is what drives demand.\(^ {28}\) If this workforce is growing, more office space is required.

C. Competitive Supply Analysis and Forecast
The identification of existing or anticipated similar types of real estate or competitive supply allows the developer to determine marginal demand for his new project. This step primarily involves undertaking an inventory of:

• Existing competitive properties within the subject’s identified market area;
• Properties under construction in your market area;
• Planned properties in the area for which building permits have been obtained; and,
• Proposed properties in the area.

If existing properties are not already easily identifiable, local real estate agent can probably help. Also, the municipal or district planning office or building inspector can usually provide information on properties under construction, with permits or being planned.\(^ {29}\)

The total number of competitive properties in the defined market area for the projection period can be refined by checking the total number of building permits issued against those actually put to use in recent years. It is not unusual for projects to receive project approvals or permits that remain unimplemented for months or even years.

In addition to identifying the number of properties, the developer will also want to qualify these properties. Some of the characteristics that might be worth recording include:

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\(^{27}\) The BC Retailers Association publishes retail sales statistics on a provincial or subregional basis each month. It is difficult to find statistics for smaller centres so it may be possible quantify demand based on population threshold figures. An explanation as to how to apply these figures is located at www.reddi.mah.gov.on.ca/userfiles/HTML/nts_6_20296_1.html#market under the title “Opportunity Identification and Development Tools”. Alternately talk to local commercial real estate realtors.

\(^{28}\) These statistics are not reported but can be derived by aggregating clerical and management statistical classes of BCSTATS workforce reports. These reports, however, are often dated to the last census. HRDC produces the workforce reports by subregion on a quarterly and annual basis but again clerical and management statistics would need to be aggregated. Alternatively, the developer can monitor announcements in local papers regarding new business formations.

- Size of the building area or rental area;
- Age;
- Access;
- Parking; and,
- Tenant quality
- Building quality and condition
- Amenities
- Vacancy
- Rental rates.

D. Residual Analysis
Once existing and projected supply and demand are known, the developer can determine how much room is left in the market place for additional square footage, otherwise known as residual or marginal demand.  

E. Capture Estimation
By comparing the productive attributes of the proposed development to those of competitive properties, the developer can judge the market share the proposed development is likely to capture given market conditions, demand and competitive supply. A common method of estimating capture rates is to identify the existing surplus or shortage and apply historical absorption rates. There are also other methodologies that can be researched.  

DEED, PLANNING AND ZONING INVESTIGATION
If the developer does not already have the legal deed to the property, now is the time to conduct a title search to verify ownership and to determine if there are any other special rights associated with the property (e.g. mineral, water, or air rights) as well as any easements or private restrictions to the use of the property. The land title information should also include information regarding mortgages or liens held against the property. This information can be obtained for a fee directly through a BC Land Title and Survey office or through a local Government Agent’s office or, for an additional fee, a notary or lawyer’s office can perform the search for you. 

Once this title search is completed, the developer can begin examining zoning controls on the property. Zoning dictates the character and use of land and buildings in a given area of the municipality or district. It also controls the size of lots, types of structures allowed, building heights,

31 Ibid. pp. 11.17-11.27.
32 The website for the BC Land Titles and Survey office is http://www.ltsa.ca/ltsa_services.htm
setback requirement, open space requirements, density and types of activity allowed in an area. Most towns and regional districts have zoning ordinances in place in BC. Many also have Official Community Plans, which provide higher-level guidance. No matter what types of restrictions are in place in a community they affect the construction or rehabilitation costs of a project and so they must be identified and planned for. The best source of planning and zoning information are usually the district or town planning offices. From here the developer can obtain copies or zoning maps and bylaws. Alternatively, the local building inspector may be able to provide you with the same information. Or if an architect has been contracted, they should be familiar with the local planning and zoning regulations in your area.  

If a proposed development does not fit within the zoning regulations, the developer has two choices:

1) Change the project to fit the regulations; or, 
2) Request a variance (an exception to zoning bylaws).

Changing a project may entail minor or major alterations but if they are major, the project may need to find a new site or attempt to gain a variance.

Variances are applied for by the developer or his agent and typically require the applicant to undergo a public hearing process. The probability of succeeding with a variance request often depends on how deviant the project is from the prescribed land use and on how well prepared and passionately the developer can make his case. Preparation for a variance application can be quite costly at times and so a developer needs to weigh the costs of proceeding with a variance against finding a new and perhaps more compliant site. A good planner or architect should be able to advise you as to how probable the success of a variance application will be.

DETAILED FINANCIAL ANALYSIS

Once zoning and planning issues are out of the way, the developer can revisit the project budget to determine if cost items are accurate. As discussed above, the following costs need to be confirmed:

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34 Ibid. p. 24.
DEVELOPMENT COSTS

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<tr>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Acquisition Costs</td>
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<td>Soft Costs</td>
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<tr>
<td>Construction/Rehabilitation Costs</td>
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<tr>
<td>Operating Costs</td>
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<td>Working Capital</td>
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<tr>
<td>Developer's Fee (if relevant)</td>
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<tr>
<td>Project Reserves</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>The price of the property and all pertaining taxes (GST, PST or PTT).</td>
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<tr>
<td>Fees charged by the architect, engineer, market study consultant, and lawyer/notary.</td>
</tr>
<tr>
<td>Construction estimates. These can be refined by reviewing them with your contractor or having them reviewed by an independent contractor or architect. They will likely change over the project term but the margin for error is lowered by paying close attention to these at the outset.</td>
</tr>
<tr>
<td>Utilities, Insurance, Taxes, Management, Maintenance, etc.</td>
</tr>
<tr>
<td>Expenses associated with property management (equipment, furnishings, initial marketing costs, carry-over of utilities etc.)</td>
</tr>
<tr>
<td>Between 5% and 15% depending on the role of the developer and negotiations</td>
</tr>
<tr>
<td>Capital and Operating Capital reserves (usually 9% of gross rents). Capital Reserves are replacement funds to sustainably replace “capitalized” building components. Operating Reserves are cash need to cover shortfalls in operating expenses caused by high vacancy or low collection rates.</td>
</tr>
</tbody>
</table>

Project revenues are also important in the financial analysis, especially if the project is an income-producing project. The developer will want to assess the short-term and long-term revenue stream. If the project is a P3 the partners will want to assess the revenues and costs over the lifecycle of the contract.

**VERIFY FINANCING**

Financing of a development project can be simple or complicated depending upon the risks of the project and the number and types of partners involved.

If a project is a “public project” it may be eligible for certain grants or subsidies and public loans. If it is eligible for grants or subsidies, these funds

will need to be confirmed before financing is nailed down. Often a lender or public official will require a letter of commitment or a contract from a funding body as proof of receipt of these subsidies or grants.

As well, if the project developer is a public entity, it may be able to finance its project through public reserves, taxes or special financing through the BC Municipal Finance Authority (BCMFA). If the project is a P3, the public partner may even be the financier or guarantor for the private partner. Typically, loans through the Municipal Finance Authority are some of the cheapest loans available and hence it can be attractive to finance the P3 through the BCMFA.

Barring this there is always the private financing. If the project is a P3, this may include direct financing or indirect financing. Direct financing involves the developer going direct to the market for a loan. There are typically two types of loans: including construction or short-term loans and permanent or long-term loans. Construction financing is the amount you will need to borrow up to completion or prior to occupancy. This is usually a 6 months to 2-year loan, which is more expensive (higher interest rate) than a permanent loan. The permanent loan is typically 2 to 25 years in length. 36

While it may be advisable to have one lender supply both the construction and permanent financing, you may get a better deal by splitting the deal. The developer should establish a relationship with several banks and see what they offer. Public projects are often considered “low risk” if they are backed by a municipality and therefore may be able to command “preferred” terms.

A P3 project may also be indirectly financed through the private partner (e.g. the private partner goes to the market to borrow project funds), because the public partner does not want the burden of the loan on its books.

SURVEY OF PROPERTY
In addition to a legal description and title check, many lenders will require a recent survey of the subject property. If the seller has a recent survey, this is addressed quite easily. If not, the lender may require an updated or re-certified survey prior to closing the deal. The survey must be undertaken by a licensed surveyor. 37

Once the property has been surveyed and financing secured and the property deal is closed, the pre-development work is completed and the development process begins!

37 Ibid., pp. 40.
Public-Private Partnerships (P3)

Many municipalities or community development entities are not willing or interested in taking on the role of developer due to time constraints, lack of expertise, risk or legal restrictions. Because of this they may solicit the services of the private sector partner to either:

1) Plan/Design the project;
2) Construct the project;
3) Finance the project; and,
4) Manage/Operate the project.

Typically, when a project is financed, constructed and/or managed by a private sector partner, this is termed a “private-public partnership”. The benefits to the public entity of such an arrangement may include:

• Reduced public ownership and development risks;
• Reduced public partner capital investments;
• Generates non-tax income and tax revenue;
• Monetized excess or under-utilized assets;
• Fully utilizes private sector expertise and creativity; and,
• A more accelerated implementation schedule.  

The new Community Charter, established in 2002 by the BC Government makes the formation of public-private partnerships much easier than in the past. In the past it was not easy for a local government to form a private company or enter into a partnership with a private company. Now under the Charter, this is possible without a good deal of “red tape” (see Community Charter discussion in Appendix 4).

There are, however also risks involved to the public entity with a private-public partnership, including:

• Reduced control over design, delivery and operation;
• Reliance on a virtually unknown private entity;
• The deal structure may not be perceived to be fair or reasonable in terms of cost sharing, risks and responsibilities or economic return;
• The private partner has the right to sell the project to an unknown third party; and,
• The economic return on the project is primarily contingent on the performance of the private partner.

These risks can be minimized by careful management of the pre-development process by the public partner at the outset. A generic pre-development process has already been described in section 2). However,

39 Ibid. p 12.
the Strategis website also lays out a fairly succinct process for pre-development planning specific to public-private partnerships. It also provides a number of tools to assist with communications and decision-making.

An outline of the planning process can be found below or the entire document can be found at http://strategis.ic.gc.ca/epic/internet/inpupr-bdpr.nsf/en/h_qz01559e.html.

**P3 PLANNING AND STRATEGY DEVELOPMENT PHASE**

**Needs Analysis:**
1. Consult stakeholders and set objectives;
2. List constraints and assumptions;
3. Identify key success factors; and,
4. Develop a communications strategy (Communications Toolkit).

**Project Definition:**
1. Organize a project team and choose a project champion;
2. Establish a governance framework;
3. Develop a business case; and,
4. Prepare a public sector comparator (guide on preparing the PSC).

**Concept Validation:**
1. Consult stakeholders, revisit options and business case, and conduct market sounding.

The above approach is more general in nature than that described in section 2 but intent is the same. What differs is the emphasis on the role of the public sector and the need:

- For a public sector champion who will shepherd the project through its various stages and possible obstacles;
- To ensure consultation and public communication;
- To prepare a “public sector comparator”, that allows the public proponent to compare the costs and benefits of undertaking the project “in-house” or contracting it out externally.  

However, what is important in any pre-development process, P3 or otherwise, is that prior to going through with the bidding process:

- The project must be market driven;
- Ensure design issues are addressed prior to the project so publicly acceptable prior to the RFQ and RFP;
- The budget must accurately incorporate hard and soft costs;
- The financial analysis must accurately reveal a return or a shortfall;

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40 **Strategis has an excellent document on developing a public sector comparator on its website.** See http://strategis.ic.gc.ca/epic/internet/inpupr-bdpr.nsf/en/h_qz01557e.html
• The financing plan should identify the advantages to both partners; and,
• An ownership/investment position most advantageous to the public partner should be identified.  

Knowing this crucial information prior to dealing with a private developer allows the public entity to:
• Design an appropriate RFEI, RFQ or RFP process;
• Better evaluate developer proposals; and,
• Makes the public partner less dependent on the private developer and allows them to negotiate from a position of strength.  

The Canadian Council for Public-Private Partnerships is a member-sponsored organization formed to foster innovative cooperation between the public sector and the private sector. They have a number of resources (research publications, newsletters, conferences and staff) to assist the public proponent in properly preparing for an RFQ and RFP or managing a project. The Council’s website is located at www.pppcouncil.ca. Industry Canada has a number of online resources to guide interested parties as well at: http://strategis.ic.gc.ca/epic/internet/inpupr-bdpr.nsf/en/Home.

Partnerships BC is a registered company established by the BC Government to facilitate private-public partnerships between its ministries and the private sector but it also has staff and online resources that may be helpful to a local BC proponent. The organization’s website is located at www.partnershipsbc.ca.

Finding a pool of developers to respond to your RFQ and RFP process is not always easy. They may be fully occupied with projects, too far away to be interested or the project may not be the right size or type for the developer. Below is a list of associations that many of the reputable developers in BC and Alberta belong to. These associations’ list their members on their website and can be easily perused. Alternately, you can contact these associations to obtain information on which type of developer might best fit your project.

• Real Property Association of Canada (www.realpac.ca)
• Building Owners and Managers Association (www.boma.org)
• Urban Development Institute (www.ubi.bc.ca)
• Canadian Real Estate Association (www.crea.ca)
• Real Estate Institute of Canada (www.reic.ca)
• Society of Industrial and Office Realtors (www.sior.com)

As well, the architectural and engineering communities are regularly involved with developers and they may be able to provide a list of reputable companies from which to solicit RFQs and RFPs. Partnerships BC is also a potential resource for identifying relevant bidders for your project, since they regularly solicit developers and planners for Government projects.

Once a pool of developers has been identified, a fair and open selection process needs to be adopted and carried out. Best practices, normally dictates that the process involves a Request for Qualifications and a Request for Proposal. As well, many P3 experts recommend the use of a Request for Expression of Interest at the outset, in order to stimulate the formation of suitable consortia for the project. Based on pre-established evaluation criteria, the RFQ then allows the proponent to qualify a shortlist of bidders.

Once a shortlist of qualified bidders is developed, the proponent can then send out an RFP, which should be evaluated based on a set of clear pre-established criteria. Once a private partner is selected, it is advisable that other bidders be given the opportunity to be debriefed.  

Once the bidding process is completed, the public proponent and the private sector partner can begin to negotiate a partnership contract for the project. This usually begins by revisiting the objectives of the project and the pre-develop plans, which may or may not identify issues or opportunities for improvement. The contract is usually negotiated based on an interest-based approach, ensuring that interests and goals of both parties are respected and ultimately reflected in the terms of the contract.

Among the issues to consider when the contract is negotiated are:

- Who is responsible for design, asset replacement and maintenance;
- What incentives are there for quality and timely service;
- What performance measurements are in place to evaluate the project;
- What measures are in place to protect intellectual property;
- What process is in place to resolve unforeseen circumstances and disputes; and,
- What exit strategies are in place.

Whatever results from the negotiations the public sector proponent needs to keep in mind:

- They need to match their project expectations with market realities;
- They should allow the private developer to be creative; and,
- They should share in any unforeseen risks, costs and responsibilities as they arise.

If the pre-development process is well thought out and the negotiation is open then interest based public proponents should be able to attract good developers and work well with them and find the private-public process very beneficial.

**Case Studies of Private-Public Partnerships**

There are number of private-public partnership projects that have been completed in BC in recent years. Many have been initiated by the BC Government lately but local governments have also been active. There has been a wide range of public-private projects in the province including those associated with health facilities, wastewater, roads, bridges and sports complexes. Any number of these may be held up as “successful projects” and worthy of presenting. However, we have picked the three projects below, because they were completed on time, resulted in significant economic development benefits to the area and were more rural in nature. They include:

1. Sierra Yoyo Desan Resource Road;
2. Britannia Mine Water Treatment Plant; and,
3. Skyreach Centre.

**SIERRA YOYO DESAN RESOURCE ROAD**

Public Sector Partner – Ministry of Energy and Mines
Private Sector Partner – Ledcor Group
- Ledcor
- McElhanney Consulting Services
- Buckland & Taylor
- Trow Associates
- Triton Environmental Consultants

**Project Overview**

The Sierra Yoyo Desan (SYD) Resource Road is a 180 km long route running north east of Fort Nelson, providing primary access to over 27,000 square km of oil and gas exploration territory.

The road is used primarily by oil and gas, forestry and pipeline sector, and prior to 1998, it consisted of various fragments, under the control of a variety of owners. The roadbed had deteriorated under the stress of heavy equipment, adverse weather conditions and insufficient maintenance, which made it impassable.

46 www.partnershipsbc.ca
In 1998, the SYD Road was taken over by the BC Government who then decided to upgrade the road to an all-season road to promote oil and gas activity in the area. To do this it contracted out the upgrading and maintenance of the road to a private partner. The Government conducted a competitive selection process to design, construct, finance, operate and maintain the SYD Road for a term of 16 years.

**Highlights of the Partnership**
Ledcor, a BC-based road building company, together with their strategic partners, was awarded the SYD Road contract. It invested $40 million in the first two years to upgrade and improve the road three months ahead of schedule. Ledcor is also spending another $2.5 million a year to maintain the road for another 14 years.

The road remains a public highway, owned by the Province and leased to Ledcor for the term of the agreement.

Ledcor assumes the risks for: construction costs, design risk and environmental permitting.

Incentives are provided for early completion of the upgrades and improvements to the SYD Road, and for a well-maintained road over the long term. However, penalties are also imposed if the road is not maintained to specified standards.

**Project Benefits**
The SYD Road project demonstrates a number of benefits for BC and, in particular, Northeastern BC residents:
- An upgraded and maintained primary route into BC’s northeast oil and gas fields at no direct cost to BC taxpayers
- Transference of project risks associated with construction, maintenance and operation to a private partner
- Performance based compensation for improvements and maintenance
- Job creation and increased economic activity in the Northeast
- Free and open public access to the road

**BRITANNIA MINE WATER TREATMENT PLANT**
Public Partner – Ministry of Sustainable Resource Management
Private Partner – EPCOR
- EPCOR Water Services Inc.
- Lockerbie Stanley Inc.
- Stantec Consulting Ltd.
- BioteQ Environmental Technologies Inc.

47 www.partnershipbc.ca
Project Overview
The $15 million Britannia Mine water treatment plan will treat up to 500,000 cubic metres of contaminated water per year from the old Britannia Mine, providing clean water for the Howe Sound and the Sea-to-Sky corridor.

The Britannia Mine is located approximately 48 km north of Vancouver at Britannia Beach, on the north shore of Howe Sound. It operated from 1904 to 1963 and was once one of the biggest copper producers in the British Empire. Now, the Mine is one of the largest metal pollution sources in North America, leaching an average of 600 kilograms of metals into the Sound, daily.

The development and operation of the water treatment plant is part of the Government’s strategy for environmental remediation of the abandoned mine site. In 2004, EPCOR Water Services Inc. and its strategic partners were selected from a competitive bidding process to design, build, finance and operate for 20 years the Britannia plant.

Project Benefits
The partnership agreement between the Government of BC and EPCOR to build and operate the Britannia Mine water treatment plant has resulted in a lower cost facility that is providing clean water to the ecosystem.

• The project will cost the public sector approximately $27.2 million over the 20 year contract period, which compares to the Province’s estimate of $39.7 million had the project been built by government alone.
• Government will only begin performance payments once the plant is producing clean water at regulated standards
• EPCOR will take the risk of incurring financial penalties if the plant does not produce clean water in compliance with environmental regulations

SKYREACH PLACE (NOW PROSPERO PLACE) 48
Public Partner – City of Kelowna
Private Partner – RG Properties Ltd.

Project Overview
Skyreach Place (now Prospero Place) is a sports and entertainment centre, including an ice rink and award winning 6,000-seat concert venue. Prior to the new venue the City was in need of a new arena to house its junior hockey team and it lacked a large capacity concert centre to attract high quality performances. Skyreach addressed both these needs.

48 Facts based on interview with Kelowna City official who managed Skyreach P3, April 2006.
The City attempted to find a partner two times to build, finance and operate the new venue prior to settling with RG Properties. The deal signed with RG Properties was a “trail breaking” agreement in 1997, since it was developed before enactment of the Community Charter and therefore involved overcoming considerable legal hurdles and red tape with the Province of BC.

The City provided an initial investment to RG Properties to offset constructions costs, and further funding is made available of provided on a sliding scale over the 30-year agreement. The agreement also included selling the land for the facility for $1 and selling adjacent commercial properties at fair market value to RG Properties. The facility and facility lands will be sold back to the City after 30 years for $1. RG Properties designed the 6,000-seat stadium to expand to 7,500 seats for concert venues and also included 33 corporate boxes. The City of Kelowna invested $6 million as shares in the holding company set up to operate Skyreach Place, which gave it a mechanism to invest capital and the authority to ensure that the land would be transferred back at the end of the agreement.

**Project Benefits**
- A new top quality sports and entertainment centre able to host a junior hockey team and high quality performances.
- An alternative approach to project delivery avoided the need for a referendum to approved borrowing.
- Legal liability and operational risks are transferred to the private sector
- Return on capital investment at year 30 (getting the land and building back) reduces the long-term cost of capital.
- Increased entrepreneurial management maximizes business activity and increases the financial viability of the project, particularly as it relates to professionally promoted entertainment events, but also other areas of operation.
- The relationship between the privately owned hockey club and the facility is completely a private sector model, eliminating the risk of the City subsidizing the hockey club.
- The total cost of capital and operations are less costly over a 30 period than comparable publicly owned and operated facilities in Canada.
- Job creation and increased economic activity in the Kelowna area
# Appendix A: Pre-Development Planning Checklist

<table>
<thead>
<tr>
<th>QUICK ANALYSIS</th>
<th>ORGANIZATIONAL ALIGNMENT</th>
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<tbody>
<tr>
<td>Site Analysis</td>
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<tr>
<td>• Inventory</td>
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<td>• Ownership</td>
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<td>• Physical Conditions</td>
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<td>• Cost of Acquisition</td>
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<tr>
<td>Market Analysis</td>
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<td>• Population levels and growth</td>
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<td>• Employment levels and growth</td>
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<td>• Business formations</td>
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<tr>
<td>Quick Financial Feasibility</td>
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<tr>
<td>• Estimate development costs</td>
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<td>• Property acquisition costs</td>
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<td>• Average construction costs</td>
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<td>• Soft costs</td>
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<td>• Estimate an operating budget</td>
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## Initial Conclusion
Development is Feasible?

## Detailed Analysis/Work
- Cultivate Political/Public Support/Vision
- Identify Development Team
- Physical Inspection

## Due Diligence
- Detailed Market Analysis
  - Market Delineation
  - Demand Analysis and Forecast
  - Competitive Supply Analysis and Forecast
  - Residual Analysis
  - Capture Estimation
- Deed, Planning and Zoning Investigation
- Detailed Financial Analysis
- Verify Financing
- Survey of Property (if necessary)

## Final Conclusion
Development is Feasible?
Appendix B: Development and the Agricultural Land Reserve

The Agricultural Land Reserve (ALR) is a provincial zone in which agriculture is recognized as the priority use. Farming is encouraged and non-agricultural uses are controlled.

The ALR covers approximately 4.7 million hectares. It includes private and public lands that may be farmed, forested or vacant land. Some ALR blocks cover thousands of hectares while others are small pockets of only a few hectares.

The Agricultural Land Commission Act sets the legislative framework for the establishment and administration of the agricultural land preservation program. 49

BACKGROUND

Leading up to the 1970’s prime agricultural land within an urban and municipal setting was being converted to alternative uses at the direction of local governments. The Provincial government responded to this conversion of the agricultural land base by introducing BC’s Land Commission Act on April 18, 1973. A Commission, appointed by the Provincial government, established a special land use zone to ensure provincial interests superseded local control over BC’s agricultural lands. This zone was called the “Agricultural Land Reserve”.

Initially the ALR comprised 4.7 million hectares (5% of the province). Despite boundary changes over the decades, its area remains approximately the same. 50

HOW IT OPERATES

The Agricultural Land Reserve takes precedence over, but does not replace other legislation and bylaws that may apply to the land. Local and regional governments, as well as other provincial agencies, are expected to plan in accordance with the provincial policy of preserving agricultural land.

DETERMINE ALR LAND

The first thing to determine is whether or not your land is within the ALR. You will need to know the legal description of the land. The description can be found on the Certificate of Title or your tax or assessment notice. Give this information to your local government office and they will determine

49 www.alc.gov.bc.ca
50 www.alc.gov.bc.ca/alr/alr_main.htm
whether or not your property is in the ALR. If there is any doubt as to the ALR status or if you are going to be making financial or investment decisions and require confirmation or the exact location of the ALR boundary, you should contact Geographic Information Systems at the Commission.

Land within the ALR can be thought of as provincial zone in which agriculture is recognized as the priority use.

If you have land within the ALR, it means that the land is subject to the Agricultural Land Commission Act. Subdivision and non-farm use of land in the ALR generally require an application and approval of the Agricultural Land Commission. Certain proposals involving the removal of soil from and/or the placement of fill on ALR lands may be exempted from the application filing requirements subject to certain conditions.

For a complete list of subdivision and uses permitted outright, refer to the Agricultural Land Reserve Use, Subdivision and Procedure Regulation.  

**APPLYING TO THE ALR**

A landowner may apply to:
• Include land in the ALR;
• Exclude land from the ALR;
• Subdivide land in the ALR; and,
• Use land in the ALR for non-farm purposes.

If a company or individual wishes to apply to exclude, subdivide and/or use land in the ALR for non-farm purposes like development, there is a process to do so. This process however is intentionally onerous, since the Agricultural Land Commission’s primary objective is to conserve agricultural land not lose it.

To apply for an exclusion, a subdivision or non-agricultural use, the landowner must complete an Application by Landowner form. The form contains instructions to help you complete the application. The application fee is $600 except for applications to include land into the ALR, which have no fees. The fee is payable to the local government.

The Applicant Information Package provides information on the types of applications, how to make an application, requirements for notice of application, how the Commission makes a decision, and provisions to reconsider or appeal a decision.

51 www.alc.gov.bc.ca/alr/Application_Landowner.htm
If you are making an application to exclude land from the ALR, you are required to provide Notice of Application to the public and submit a Proof of Serving Notice form with your application. The Applicant Information Package contains the forms and explains the notice requirements.

Completed applications are sent to the local government in which the land is located.

The application process requires the local government to file a Local Government Report concerning your proposal. The purpose of the report is to provide the Commission with information on local planning such as the community plan and zoning designations and to give the local government an opportunity to make comments and recommendations on a proposal. As well, if the land under application is zoned for agricultural or farm use, or if your proposal requires a bylaw amendment, then the local government Board or Council decides whether to authorize your application to proceed to the Commission. If authorization is not granted, your application proceeds no further.  

**Proposals Involving the Placement of Fill or the Removal of Soil:**
 Certain non-farm use proposals involving the placement of fill or the removal of soil may qualify for exemption from the application filing requirement. Part 3 of the Agricultural Land Reserve Use, Subdivision and Procedure Regulation specifies the notification requirements and the farm uses and non-farm uses involving the placement of fill and removal of soil that qualify for exemption. A Notice of Intent form must be filed with Provincial Agricultural Land Commission. There is no filing fee. See Notice of Intent for Proposals to Place Fill or Remove Soil.

If the proposal does not qualify for exemption, the landowner must file an application for a non-farm use. There is a specific application form for this type of non-farm use proposal. See Application to Place Fill or Remove Soil under the Agricultural Land Commission Act. The application fee is $600 and the completed application is sent to the local government in which the property is located.

**Proposals Involving Transportation, Utility & Recreational Trail Uses in the ALR:**
 Persons applying for transportation, utility and recreational trail uses must file an Application for Transportation, Utility and Recreational Trail Uses in the ALR unless the proposal is permitted under sections 2 and 3 of the Agricultural Land Reserve Use, Subdivision and Procedure Regulation. The

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52 [www.alc.gov.bc.ca/alr/Application_Landowner.htm](http://www.alc.gov.bc.ca/alr/Application_Landowner.htm)

53 [www.alc.gov.bc.ca/alr/Application_NFU_Fill-Soil.htm](http://www.alc.gov.bc.ca/alr/Application_NFU_Fill-Soil.htm)
applicant must also notify all landowners with land in the Agricultural Land Reserve that are affected by the proposal. The application form contains instructions and details on the notification requirements.

This type of application is filed directly with the Commission. The application fee is $400 and is payable to the Minister of Finance.  

Appendix C: Site Inventory Form

SITE INVENTORY FORM (EXAMPLE)

<table>
<thead>
<tr>
<th>LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
</tr>
<tr>
<td>Owner</td>
</tr>
<tr>
<td>Contact</td>
</tr>
<tr>
<td>Legal Description</td>
</tr>
<tr>
<td>Size (ft/m)</td>
</tr>
<tr>
<td>Dimensions (ft/m)</td>
</tr>
<tr>
<td>Zoning</td>
</tr>
<tr>
<td>OCP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BUILDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size (ft/m)</td>
</tr>
<tr>
<td>Dimensions (ft/m)</td>
</tr>
<tr>
<td>Height (ft/m)</td>
</tr>
<tr>
<td>Utilities</td>
</tr>
<tr>
<td>Parking (# stalls)</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

For a more detailed site/property assessment form go to the Appraisal Institute of Canada at [www.aicanada.ca/e/articles/document_library_old.cfm](http://www.aicanada.ca/e/articles/document_library_old.cfm).

54 www.alc.gov.bc.ca/alr/Application_Trans-Util.htm
Appendix D: Land Assembly and Redevelopment

Land assembly involves joining to contiguous lots or pieces of property to make one larger parcel of developable land. Contiguous parcels in an urban area may often be too small to build anything more than a house. Putting land together one piece at a time can be very expensive for a developer, especially if there are pollution or title problems. As a result, new developments tend to be built on the fringe of a developed area where large tracts of undeveloped land are available, ignoring vacant urban parcels.

You can assemble needed urban parcels though public and private means. Generally, a best practices approach to assembly might be as follows:

1. Meet with stakeholders – this may include developers, real estate professionals, lenders, public land representatives and all other affected government agencies. This group can work together in all steps of the process from identifying potential sites to executing agreement for land purchase.

2. Inventory available public property within the site area – include publicly held property, tax-foreclosures and donated property.

3. Determine the privately held parcels that are necessary to assemble enough land for the site. Available public parcels may not be large enough or contiguously arranged to make a development feasible, in which case it will be necessary to add privately held parcels to complete the site.

4. Create a development plan – this pre-development plan essentially shows the proposed use and its feasibility. Use this as a planning and marketing tool to facilitate land purchases and development.

5. Buy the land – Bring together the various landowners to buy the land. This may be done in a variety of ways. Typically, if the buyer is a government entity it will buy the property directly either through:
   - A voluntary or negotiated sale or land swap
   - an agreement to grandfather the property such that when the seller does decide to sell it must be to the local government
   - rezone area for specific development or
   - through a compulsory purchase order

The latter option is usually a last resort and can be quite lengthy and contentious. However there are also alternatives to a direct government purchase. Government may chose to:
• share ownership and enter into a joint venture,
• sell its land to a developer with an agreement that a given
development is to occur, or
• facilitate “land pooling” with various private owners and work with
them to develop the property.

If the land is purchased by a non-governmental entity it may do so
directly or as a land pool through a trust, a strata or a cooperative. In
any of these cases where a partnership of some sort is established,
appropriate legal agreements need to be developed.

It should be noted that assemblage of a tract of land will often demand
a higher than market price, especially properties acquired near the end
of the assemblage process.

6. Develop you property or market it to the development community – if
the land is to be developed by the owner, it can begin the development
process once the land is purchased. If, on the other hand, the
development is to be contracted out, the next step is to market your
development plan to the development community and seek qualified
bids (see Public-Private Partnerships in section 4). 55

Land Assembly and Redevelopment, pp1- 3.
<www.dca.state.ga.us/intra_nonpub/Toolkit/Guides/LndAsmblyRedevt.pdf>
Appendix E: Community Charter and Real Estate Development

In BC, most restrictions and controls on real estate development are established by local governments under the Community Charter and the Local Government Act, which contain extensive land use regulations, zoning powers and subdivisions powers. The Community Charter came into force on January 1, 2004 and while it is anticipated that the land use provisions of the Local Government Act will be moved into the Community Charter in some form, this has not yet occurred.

The Local Government Act enables local governments to adopt regional growth strategies and official community plans for the establishment of a framework for land use regulations and zoning by-laws. Local governments are not required to adopt either an official community plan or a zoning by-law. If no such by-laws have been enacted by the local government, land use is governed by generally applicable provincial laws, the common law and any restrictive covenants and building schemes that may be registered on title to properties.

The Community Charter is essentially an addendum or an expansion of the Local Government Act, providing municipalities (not regional districts) with greater flexibility and responsibility in a number of regulatory areas pertinent to local interest. Division 1 or Part 3 of the Charter is especially relevant to real estate development and public-private partnership development, insofar as it permits municipalities to:

• enter into a partnering agreement with a business for the provision of a service on behalf of the municipality
• enter into an exclusive or limited franchising agreement with a business for the provision of:
  o public transportation
  o water through a water supply system
  o sewage disposal through a sewer system
  o gas, electrical or other energy supply system
• provide a loan, loan guarantee or a capital grant or a tax exemption (in qualified cases) to a private partner pursuant to the partnership agreement
• draw upon indirect financing (e.g. financing through a private partner) rather than restricting financing to the Municipal Finance Authority.

Previous to the Charter, it was very difficult for municipalities to enter into joint ventures with or provide assistance to a business for any reason or provision of service. The Community Charter changed this for specific purposes.

For more details on the Community Charter visit the Charter web page at: http://www.qp.gov.bc.ca/statreg/stat/C/03026_03.htm#Part03Division01
Appendix F: Bibliography


“Community Charter.” Government of BC. Queen’s Printer. 1 Apr. 2006 <http://www.qp.gov.bc.ca/statreg/stat/C/03026_03.htm#Part03Division01>.


