

Is this a good deal for the city?

Nicolas Schmitt

On Sept. 30, the rezoning of the 601 Beach lot goes back to city council for discussion and decision. It is an important case. It should be rejected.

The proponents mention two advantages: the social units coming with it and the completion of the Granville gateway.

The opponents are in favor of social units on this lot; indeed they want more of them as per the current zoning. The project provides 129,000 sqft of social housing when it could have 45% more (187,000 sqft,)!

For the difference, the city will get \$12.1 million for letting the developer sell strata condos instead of having more units to rent! Is it a good deal for affordable housing?

Oh, but the 152 units, even if less than what the lot is zoned for, are free for the city since built by the developer!

Not so since this investment is very much part of the deal between the developer and the city. The city does not need to finance these units, but it does have to pay for them!

The city indicates that the developer's investment is \$66 million; there are no details. A third less would be more appropriate (\$44 million) as construction cost is the main basis to assess this investment.

But the private value of the project is enormous. You see, when the city rezones for a tall building, it creates economic rents by allowing the developer to sell condos high up in the sky. Without it, there is not much to gain since the height limit on this lot is now a 17-storey building!

This week, a sub-penthouse sold for \$3,074 per sq. foot on the 38th floor at a unfinished site near 601 Beach (<https://www.straight.com/news/vancouver-real-estate-condo-in-tower-under-construction-sells-at-rennie-marketing-listing-price>).. So just compute the potential value of the 361,552 sqft of strata condo associated with the 55 floors of 601 Beach. Not easy to know? True, but with a very modest \$1,800 per sq. foot, you already get \$651 million.

You still need to build. The construction cost for high-rises in Vancouver is about \$340 per sq. foot (<https://www.statista.com/statistics/972884/-building-costs-bc-canada-by-type/>). This suggests \$168 million with the 152 social units. With the \$12.1 million already mentioned, the difference is \$470.9 million.

But wait, the developer must buy the land. The base price for the lot is \$20 million along with a provision that the city gets \$365 per sqft for any additional volume built above the current zoning. The higher the tower, the more the city gets!

So, with the rezoning, the city should get a total in excess of 100 million for the lot alone; this corresponds to about \$20,000 per square meter.

Is this a good deal for the city? The value of a lot depends on what you can build. If you can build a tall building, it is much more valuable than if you can't.

One of the lots nearby 601 Beach has a land property tax assessment of about \$80,000 per square meter. And the lot is not zoned for a tall tower!

No matter how you look at it, the deal is great for the developer. One could wonder why, in this market and with so many new condos, there is an eagerness to go ahead with this project. Now we know: even if condo prices decrease, the deal for the developer is too good to pass.

Is it a deal worth having for the city in order to get 152 social units? We do not think so.

This brings to the second argument: the Granville gateway.

One way to justify a tall building on this lot is to promote a Granville gateway. So let's rezone in the name of an idea, of a concept! Probably because it helps convincing some that a gateway has an intrinsic value. But to use Patrick Condon's words, a UBC urban planner, it does nothing else but to create "advertising billboards to the globe, which operates at the expense of local people who need housing" (<https://www.nytimes.com/2019/10/29/business/vancouver-real-estate.html?searchResultPosition=2>).

The purpose of rezoning should be livability and inclusiveness. It should take into account how projects, especially large ones such as 601 Beach with 455 units, fit with existing public amenities, traffic flows, and future developments particularly in the rectangle formed by Burrard, Davie, Richard and Beach where so many high rises are being built and planned.

For example, the V6Z postal code area has about 18,000 inhabitants according to the census. There is not a single school and none is coming. Imagine a town of 18,000 people without a school! How can this make sense?

So yes, the opponents of 601 Beach would like to see social housing but do not support a gateway and this excessive rezoning. In fact a school on this lot would have more livability and community value.

The City Council has a hot potato in its hands, one largely inherited from the previous council. It includes the way the higher building policy has been revised in 2011 to include lots outside the downtown business core. The Council needs to decide if it is business as usual, or if it wants to channel city developments with goals of livability and inclusiveness.

The rezoning decision of the 601 Beach is a test case!

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