

Schedule 9 to the Minutes of the Public Hearing meeting of Richmond City Council held on Monday, November 20, 2017.

TO: MAYOR & EACH COUNCILLOR
FROM: CITY CLERK'S OFFICE

MayorandCouncillors

From: John Roston, Mr <john.roston@mcgill.ca>
Sent: Thursday, 16 November 2017 15:20
To: MayorandCouncillors
Cc: Badyal,Sara
Subject: Submission to Public Hearing on Nov. 20, 2017.
Attachments: Roston - Onni Imperial Landing Amenity Contribution New Info Nov 16 2017.pdf

To Public Hearing
Date: NOV. 20, 2017
Item # 5
Re: Onni - Bylaws
9062, 9063

Categories: - TO: MAYOR & EACH COUNCILLOR / FROM: CITY CLERK'S OFFICE

Dear Mayor and Councillors,
My submission to the Public Hearing on Nov. 20 with reference to the Onni Imperial Landing Amenity Contribution is attached.

Your patience and determination to arrive at a fair amenity contribution is very much appreciated.

john.roston@mcgill.ca
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Onni Imperial Landing Rezoning Amenity Contribution – New Information

I'd like to thank Chris Evans of Onni for calling me to discuss the calculation of the amenity contribution. It was most helpful. I'd also like to thank Sean Lawson, the well-known realtor in Steveston, for calling me to discuss his calculation of the amenity contribution. They are both real estate professionals with a lot of experience, as are some of the city councillors, and I am not. I'm a Richmond citizen with an interest in seeing that Onni pays the City a fair amenity contribution that can be used to improve local municipal services in Steveston.

It was most unfortunate that the City's consultant on the amenity contribution did not have all the relevant information for arriving at a fair amenity contribution calculation as I explained in my previous submission. It's important that the consultant be given the opportunity to update his report. It's also important that Mr. Lawson's amenity calculation be considered since he has an intimate knowledge of the commercial lease rates in Steveston and the potential demand for space in the development.

Mr. Evans made the point that the actual tenants in the development are irrelevant. Tenants will come and go. This is about new permitted uses in each building and the effect that has on the building's value. Nevertheless, Mr. Evans spoke about Steveston Marine and Hardware as a potential tenant and the fact that he no longer has a grocery or a bank as potential tenants. By his own assertion, these potential tenants and non-tenants are irrelevant to the discussion. Steveston Marine and Hardware could wind up in Building 5 or 6 or those buildings could remain empty.

One important factor is that Onni has asked for financial services as a permitted use in Buildings 1 and 4. Banks pay very high lease rates which in turn increase the uplift and the amenity contribution. Since Onni doesn't have a bank as a potential tenant, it could remove financial services as a permitted use in Buildings 1 and 4. This would reduce the total uplift shown in the calculation I submitted previously from \$12 million to \$10.5 million. Should a bank come along, Onni could then request that financial services be added.

In my previous calculation submission, I used a cap rate of 5%. Mr. Lawson feels that 4% is a more appropriate conservative rate. Mr. Evans feels that 4% is way below what anyone would use in a comparable situation. If a compromise rate of 4.5% is used in my calculation, it increases the uplift by about \$1 million. Additional expert opinion is required on cap rates.

In my calculation, I used the lease rate for a restaurant of \$33 ft² for the ground level of Building 2 and for Building 4. Mr. Evans feels strongly that Building 2 cannot be leased as a whole for even \$30 ft² and the building cannot be subdivided. Mr. Lawson feels strongly that it can be subdivided and the lease rate should be \$35 ft². Again, additional expert opinion is required on subdividing Building 2 and the appropriate lease rate. It would be interesting to ask a restaurant designer to make a couple of sketches of how a subdivided Building 2 might look and then publish them in the newspaper with a note that we are looking for restaurateurs interested in leasing at \$35 ft². A bit unconventional, but it would answer the question.

Mr. Evans indicated that they are willing to pay 75% of the uplift. I urged Council to insist on 100%. Mr. Lawson uses 80%.

City councillors, Mr. Evans and Mr. Lawson have all said that they want the amenity contribution to be based on fact. We are getting close to doing that. It requires direction from Council to bring in some additional expert expertise followed by discussion between Onni and the City to arrive at a fair amenity contribution that will benefit the local Steveston residents.

John Roston, 12262 Ewen Ave., Richmond, 604-274-2726

ON TABLE ITEM

Date: Nov-20, 2017
Meeting: Public Hearing
Item: #5 - Onni

TO: MAYOR & EACH
COUNCILLOR
FROM: CITY CLERK'S OFFICE

CityClerk

From: Badyal,Sara
Sent: Monday, 20 November 2017 11:21
To: CityClerk
Subject: FW: Onni Imperial Landing Amenity Contribution
Attachments: Onni Imperial Landing Rezoning Amenity Contribution New Info Chart.pdf; Onni Assessment Calculation Nov 2017.pdf

-----Original Message-----

From: John Roston, Mr [mailto:john.roston@mcgill.ca]
Sent: Monday, 20 November 2017 11:06
To: Brodie,Malcolm; Johnston,Ken; Au,Chak; Loo,Alexa; Dang,Derek; McPhail,Linda; McNulty,Bill; Steves,Harold; Day,Carol
Cc: Badyal,Sara
Subject: Onni Imperial Landing Amenity Contribution

Dear Mayor and Councillors,

At the Public Hearing this evening I will be using the attached updated chart and picture which may be easier to see in the attached copy than on the projector. It reflects the updated information I received from Mr. Evans of Onni and Mr. Lawson, the Steveston realtor.

In addition to the that material, I will be mentioning that Onni convinced BC Assessment to dramatically lower the assessment on the buildings a few years ago. The attached chart shows that using the new assessed value, the square footage for each building and a likely cap rate of 5%, the lease rates for the buildings would work out almost exactly to \$6 a square foot except for Building 2 which is \$8.50 per square foot. BC Assessment is supposed to use the highest rate at which the buildings could be leased without regard to how they are actually being used. We have been using the MMU lease rate of \$15 a square foot. Onni appears to have been seriously underpaying its taxes.

Thank you for your consideration.
John Roston

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Onni Imperial Landing Rezoning Amenity Contribution Roston Calculation – Additional Information Nov.20,2017.
 (After additional input to Mr. Roston from Mr. Evans of Onni and Mr. Lawson, Steveston Realtor)

The main point is that the original report by the City's consultant, Mr. Wozny, was based on outdated and misleading information. The new staff report is irrelevant since it is based on the assumption that Mr. Wozny's initial report is the last word. Mr. Wozny told Mr. Roston that he would welcome the opportunity to update his report. City staff told Mr. Roston that a request for an updated report and input from other experts requires a motion passed by City Council and this was not done at the last public hearing.

Three factors have a major impact on the amenity contribution:

1. Removing financial services as a use in the buildings. Mr. Evans says that they no longer have a bank as a tenant.
2. Using a 4% cap rate instead of 5%. Mr. Lawson says that his research concludes that 4% is a conservative rate.
3. Whether the ground floor of Building 2 can be subdivided. Mr. Evans says it can't. Mr. Lawson says it can. See picture on next page.

Each column should be compared to the column on its left.

	Highest Lease Rate Use	Previous Submission	Remove Financial Serv.	No Financial & 4% Cap Rate	No Fin., 4% Cap & Bldg. 2 Undivided	No Fin., 5% Cap & Bldg. 2 Undivided
Building 1	Financial Services	\$38.50 ft ²	\$33.00 ft ²			
Building 2 Ground Level	Restaurant	\$33.00 ft ²	\$33.00 ft ²		\$25.00 ft ²	\$25.00 ft ²
Building 2 Upper Level	Daycare	\$22.00 ft ²	\$22.00 ft ²			
Building 3	Restaurant	\$33.00 ft ²	\$33.00 ft ²			
Building 4	Financial Services	\$38.50 ft ²	\$33.00 ft ²			
Net Increase in Annual Rent		\$660,398.	\$589,888.	\$589,888.	\$462,520.	\$462,520.
Capitalization Rate		5.0%	5.0%	4.0%	4.0%	5.0%
Increase in Value Using Cap Rate		\$13,207,960.	\$11,797,760.	\$14,747,200.	\$11,563,000.	\$9,250,400.
Less: Increase in Leasing Costs		\$1,313,688.	\$1,313,688.	\$1,313,688.	\$1,313,688.	
Net Increase in Value		\$11,894,272.	\$10,484,072.	\$13,433,512.	\$10,249,312.	\$7,936,712.

Similar building to Bldg. 2. Note wooden beams at top that could possibly be extended to ground to subdivide.



Onni Imperial Landing

	Land	Building	Total Assessment	Net Leaseable Area	Rate per Foot	Lease Revenue	Cap Rate
4020 Bayview	\$373,000	\$445,000	\$818,000	6,794	\$6.00	\$40,764	5%
4080 Bayview	\$2,119,000	\$1,742,000	\$3,861,000	22,874	\$8.50	\$194,429	5%
4100 Bayview	\$55,700	\$158,000	\$213,700	1,781	\$6.00	\$10,686	5%
4180 Bayview	\$461,000	\$265,000	\$726,000	6,028	\$6.00	\$36,168	5%
4280 Bayview	\$1,166,000	\$491,000	\$1,657,000	13,765	\$6.00	\$82,590	5%
4300 Bayview	\$753,000	\$371,000	\$1,124,000	9,342	\$6.00	\$56,052	5%