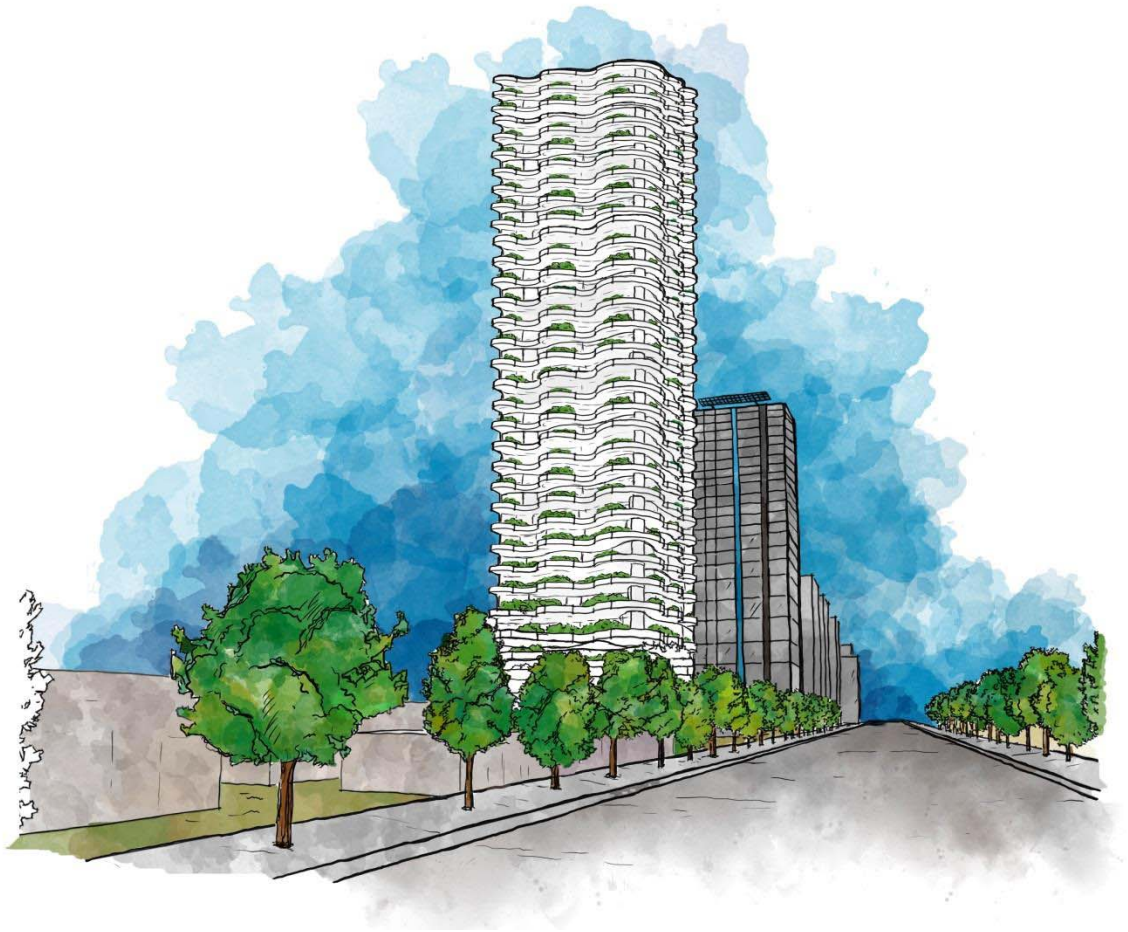

ANALYSIS OF THE REDEVELOPMENT POTENTIAL OF LMS 3432 (1723-1777 ALBERNI STREET "THE PARK")

1723Alberni.com

Dated July 2021

Online PDF Version: 1723Alberni.com/pdf

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Report Overview

This report seeks to analyze the parcel of land located at 1723-1777 Alberni Street, along with its towers and the adjoining townhomes (Strata plan LMS 3432), to determine the feasibility of redeveloping part of the complex to realize the hidden value of the land it sits on.

The focus of the report is to show that 1723 Alberni Street is the most undervalued residential complex in the Georgia Street Corridor. The fact is that the parcel of land is large enough for another tower to be added on the western end without the need for demolishing the eastern end tower that is already in place.

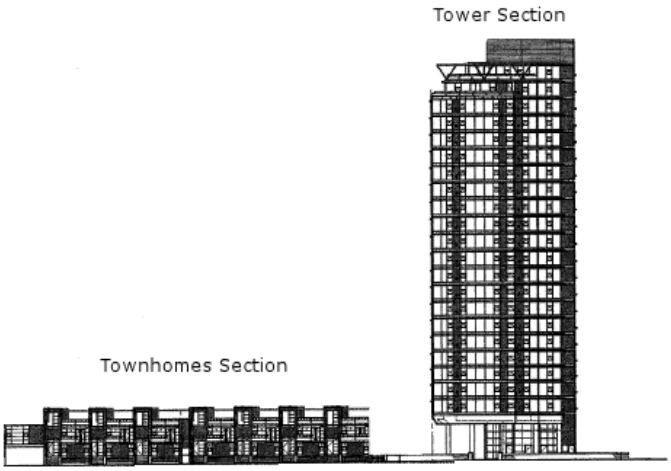

Figure 1 : Cross section of 1723 Alberni and Townhomes Facing North

The West End Community Plan was drafted in 2013 and the guidelines were created to allow for higher density that was allowed when the tower was built in 1997. Today, there are no restrictions to prevent the redevelopment of the property to build up to 2 towers with a maximum height of 385 feet.

This report will make an in-depth exploration into the various redevelopment opportunities available to the property owners and it will also analyze the various challenges posed by each of these opportunities. For any additional questions or comments, you may reach me at https://1723alberni.com/contact

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Land Overview

1723 Alberni Street and its adjoining townhomes (1727-1777 Alberni Street) are all located on a single piece of land that is around 39,000 square feet (see Figure 2). The tower is located at the east end of the plot, so there is enough space for a second tower to be built on the west end, over the townhouse section that is already in place.

The current Floor Surface Ratio (FSR) is 3 times the size of the lot. FSR refers to the ratio of the building's total floor space to the size of the plot it was built on. Developments located nearby that are either under construction or slated to be constructed soon have an FSR that is roughly 10 times the size of the lot.

Figure 2 The Parcel of Land under 1723 Alberni and its Townhomes

This shows that the complex, as it is, has a very low density when compared to what is possible to build on the parcel. Additionally, the parcel has an excellent location since it's only a block from Robson and Denman and Stanley Park.

What's more, the western side of the parcel provides unobstructed views of both Stanley Park and Devonian Harbour Park. These views will never be blocked by any future developments (see Figure 13 on page 25). The combination of these features is what makes the parcel one of the best and most desirable in the Georgia Street Corridor.

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The Neighborhood

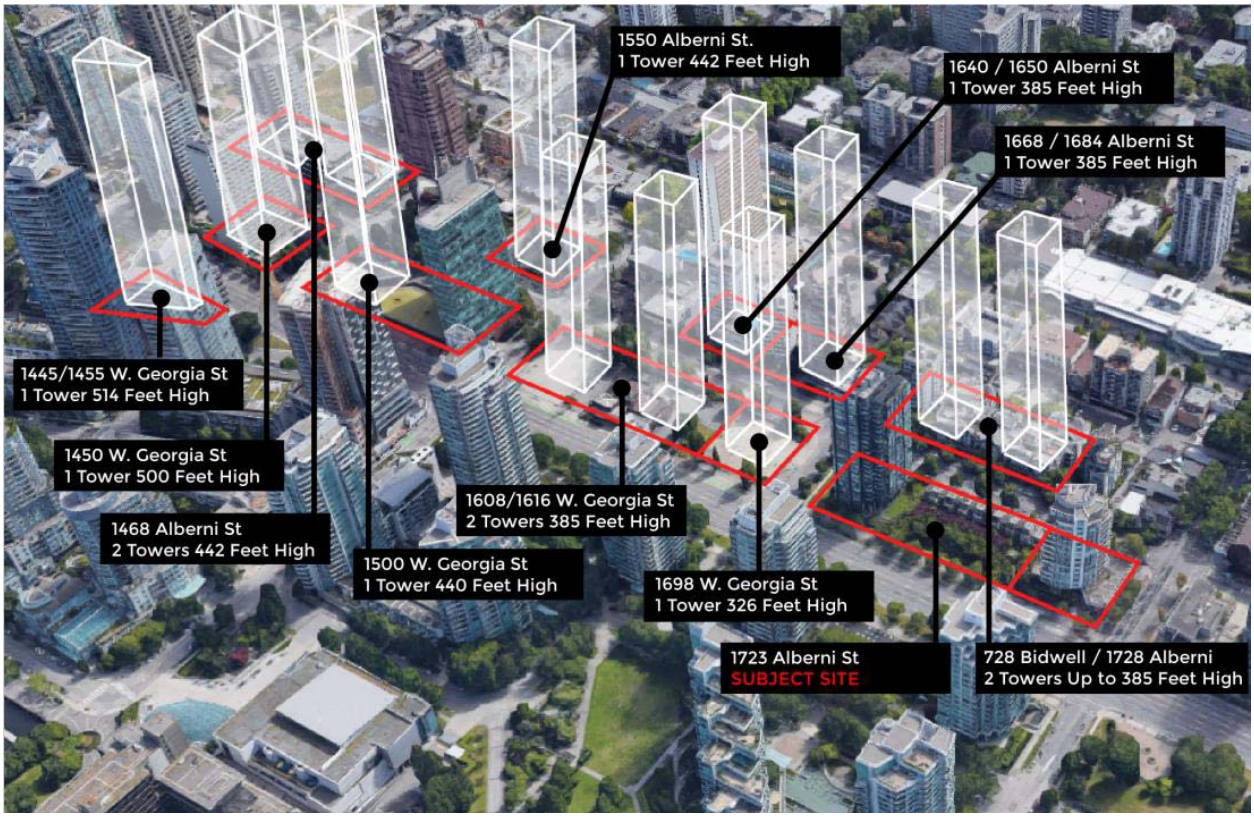
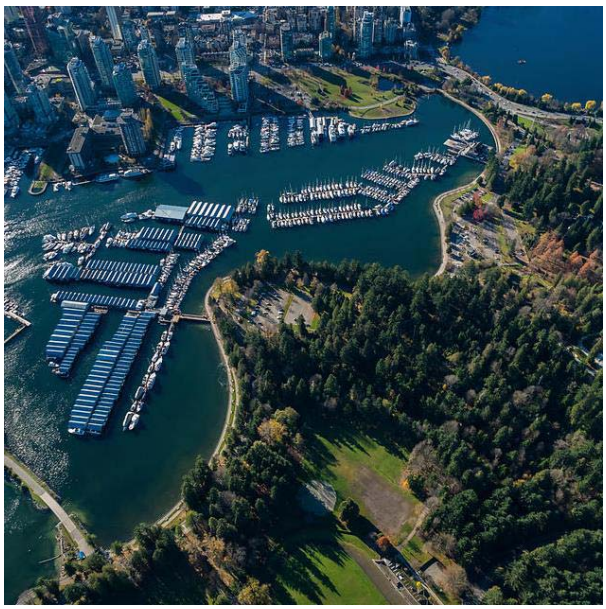


Figure 3: The Various Development Projects upcoming in the area



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Over the next 10 years, the neighborhood will undergo a rapid transformation. Over the past 5 years, the blocks surrounding the intersection of West Georgia Street and Cardero Street have become a major cluster for high-caliber architecture by international design firms.[1] Located only a block from one of the best urban parks in the world, Stanley Park, the parcel of land under 1723 Alberni is well-placed to take advantage of the various amenities the area has to offer, including some of the best restaurants, waterfront, and sea wall.

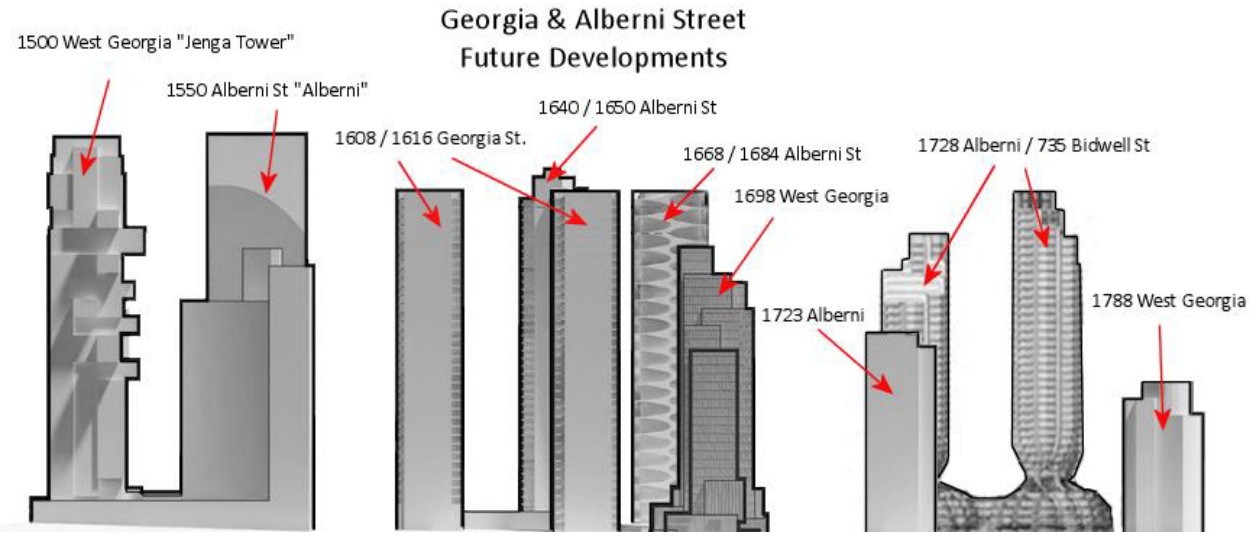

Figure 4: Proposed and Under Construction Projects in the Neighborhood

[1] Figure 3 and 4 shows the development projects in the immediate area. To learn more about the future developments in the area, please go to: https://1723alberni.com/neighboring-developments/

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Land Valuation

The land parcels surrounding 1723 Alberni have been the subject of buyout offers by large development companies in recent years due to the higher density allotted to these parcels under the West End Community Plan

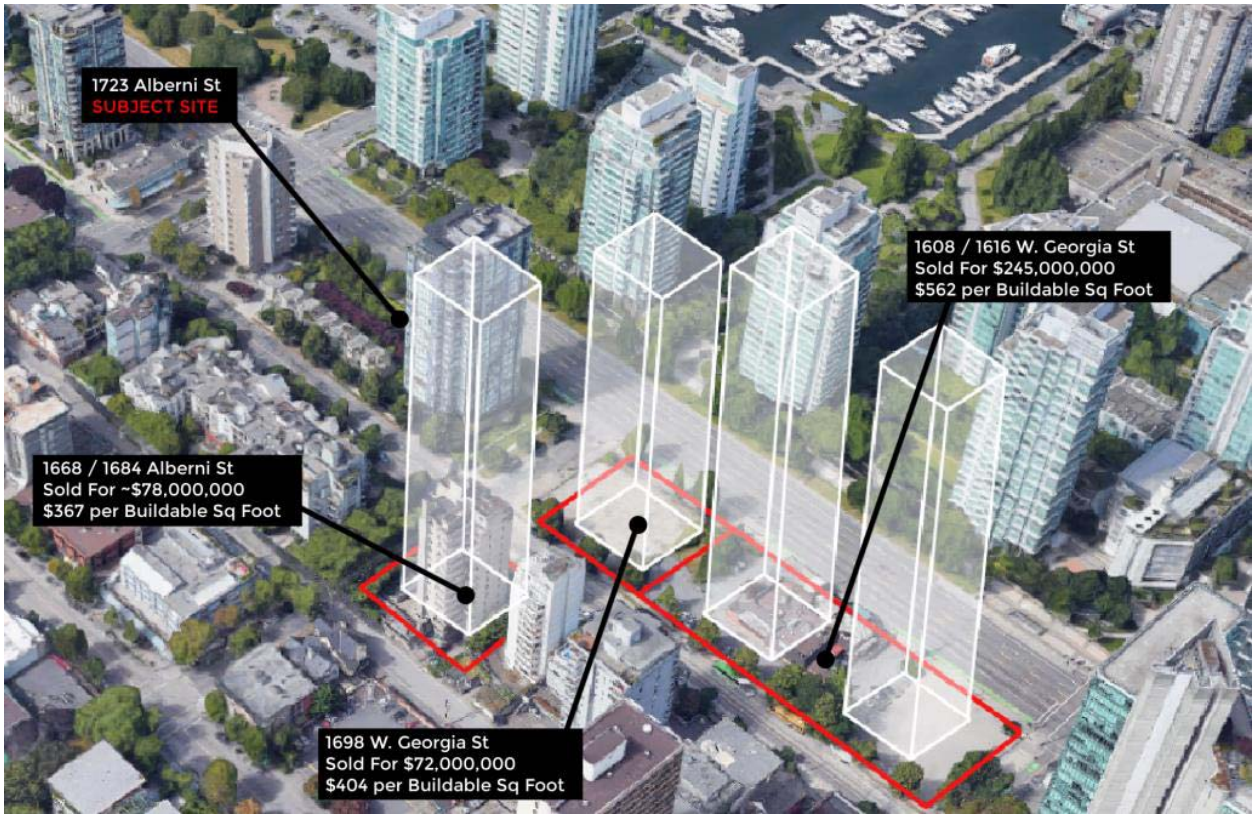

Figure 5: Some Recent Sales

(WECP). The plan allows for taller towers to be built around the Georgia street corridor, as shown in Figure 5. 1723 Alberni and its neighboring parcels to the south and east have permission to be redeveloped up to a height of 385 feet (view cone permitting), which results in a much higher density than what was available in the past and in other parcels just outside the Georgia Street Corridor. With these recent changes, developers were incentivized to start buying the nearby parcels, with some purchases reaching staggering amounts. For instance, the old White Spot land parcel at 1608/1616 West Georgia Street sold for $245 million ($122 million per

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tower) and the old Chevron site next door for $72 million. Across the street, two existing buildings, 1668 Alberni St (built in 1993) and 1684 Alberni St (built in 1984), were purchased to be combined into a one tower development for approximately $87 million. Listed in Table 1 are the recent sales and their prices.

Recent sales include:

	Purchase Price	Per Buildable Square Foot
1698 West Georgia (Old Chevron Site)	**$72,000,000**	**$404**
1608/1616 West Georgia St (White Spot Site)	**$245,000,000**	**$562**
1668/1684 Alberni St	**$87,000,000**	**$376**

Table 1: Some Recent Sales

The adjacent parcels' sales data per square foot show the land prices at which developers consider a project worthwhile to pursue. Based on these numbers, a piece of land where a tower can be built to the maximum allowed of 385 feet (about 38 stories) and has a total floor area of approximately 200,000 square feet would be valued by developers at a minimum of $78 million. The land under 1723 Alberni allows for two of these towers to be built.

According to the most recent BC assessment values for 2020, 1723 Alberni Street and its townhouses are valued at a total of $116.7 million. This is broken down into $82 million for the land and $35 million for the improvements (the tower and townhomes). This means that if someone were to pay the current market value for all the individual units, they would pay about $116 million. With this known, I believe the land under 1723 Alberni (which has an area of approximately 39,000 square feet) is substantially undervalued for a conservative market value of land at $390 per buildable square foot. If we assume a density of about 10 times the size of the lot, this means the land should be valued twice as much, at around $156 million rather than the $82 million it is currently assessed at.

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However, a developer would most likely not want to tear down the current tower since the tower at 1723 Alberni still has a lot of life left being only 23 years old. This results in only half the lot useable to build a new tower right away. However, since the 1723 Alberni land parcel cannot be split into two and sold off individually, they would also have to purchase the current building and the land underneath it at a fair market value. After purchasing by a developer, the current tower would have an annual net cash flow of about $3.5 million conservatively when converted to a rental, which would help finance the total parcel's estimated $187m purchase.

Current Valuation using 2019 Assessment values:

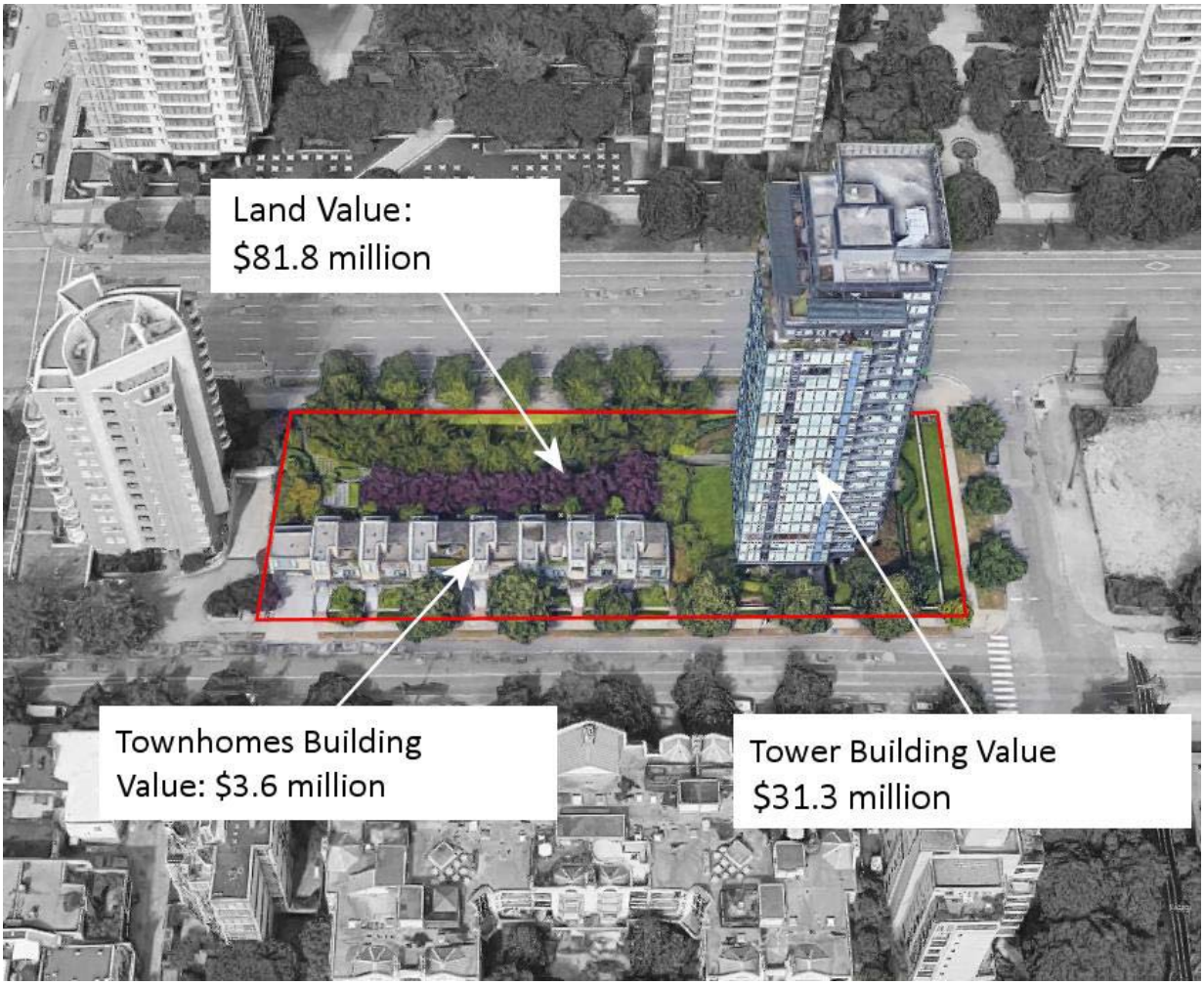

Figure 6: Current Valuation Breakdown

Current Valuation (based on July 1, 2019 Assessments)	
Value of Land	$81,800,000
Value of Current Improvements	$34,900,000
Total Value of Existing Configuration	**$116,700,000**
Average Unit Value	$770,000 per unit

Table 1: Current Valuation

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Valuation if a new tower is built over the existing townhome section:

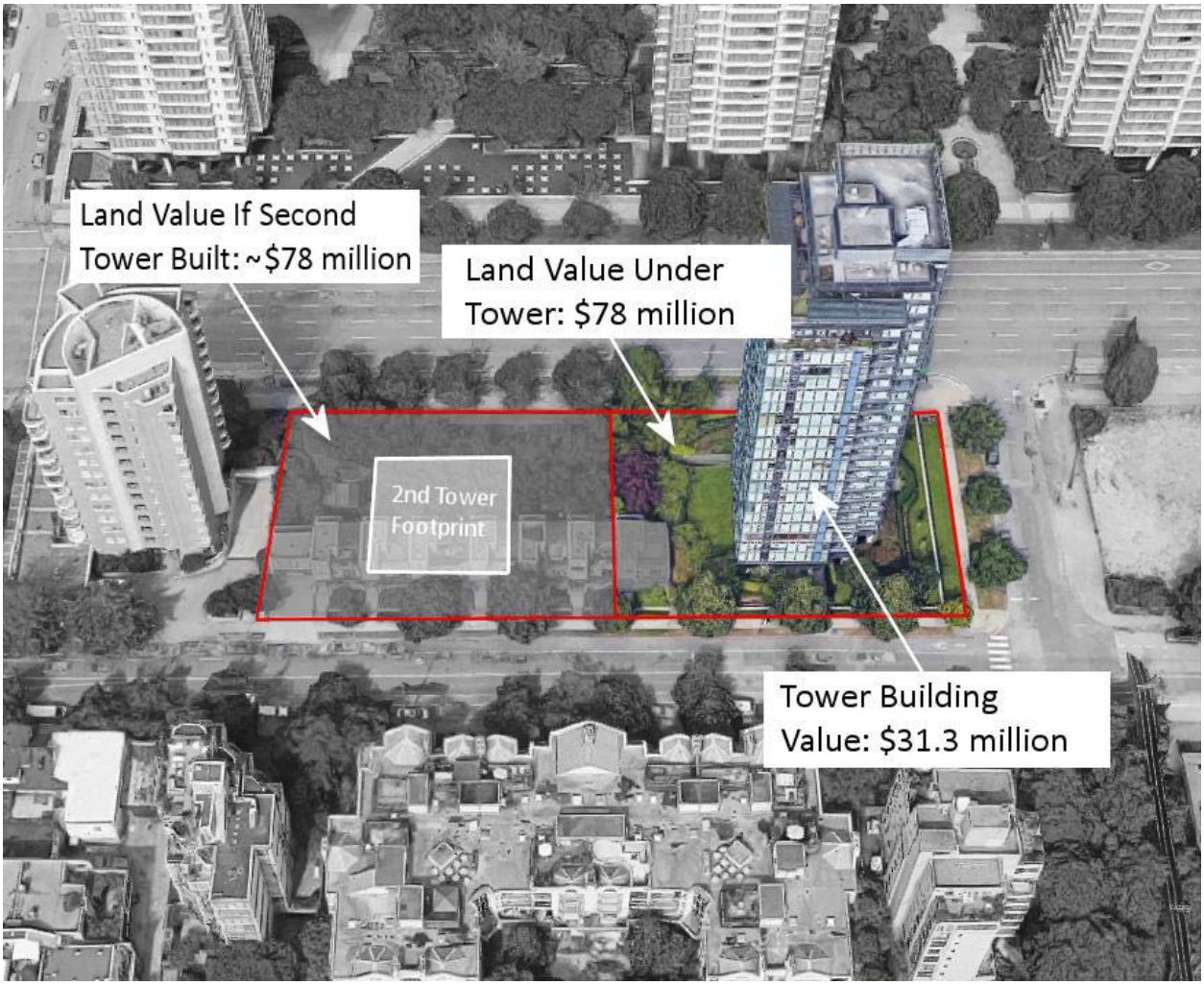

Figure 7 : Valuation if a new tower is built over existing townhome section

Valuation if the New Tower is Built Over Townhouse Section	
Value of land under existing tower	$78,000,000
Value of existing tower	$31,300,000
Value of land under proposed tower	$78,300,000
Total value with 2 Towers	**$187,300,000**
Difference in Value	+$70,600,000
Difference in Value per Unit	+$470,000 per unit

Table 2: Valuation of 2 Tower Configuration

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As shown in Table 2 above, the value of the property does not currently reflect the real underlying the value of $187 million. This represents a total land and building value worth 160% ($187m / $116.7m = 160%) more than the current value of the existing single tower and townhome configuration.

To summarize, the value of the land under 1723 Alberni is significantly undervalued because it does not consider the potential value created if another tower is built on the property. Given the property happens to be large enough to fit two towers, we will explore what options are available to unlock the value in the land.

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What Can Be Built?

The West End Community Plan (WECP) was a plan developed by the city to guide developers and stakeholders into how they'd like to see that part of downtown evolve over the coming decades. They decided to allot higher densities in the Georgia and Alberni Street corridors. 1723 Alberni falls under section A of the WECP, which allows buildings to be built up to 385 feet and building floor plates (the total size of each floor) of no larger than 5,500 square feet. With this in mind, the maximum densities or Floor Surface Ratio (FSR) for section A is about 10 times the size of the lot, but the current density of the tower and townhomes are only 3.3X the size of the lot. That suggests that the land is significantly underdeveloped. The redevelopment guidelines also call for buildings to be spaced at least 80 feet apart from other tall buildings; in 1723 Alberni, there is enough space to allow for this minimum spacing (Refer to Appendix 1 for more details on the West End Community Plan Georgia Corridor building guidelines).

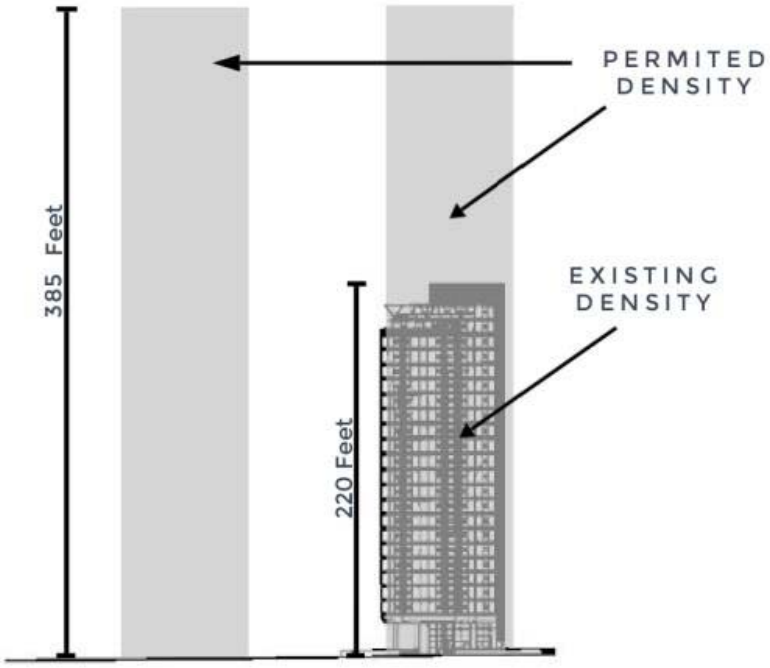

Figure 7 Cross Section showing Permitted Density

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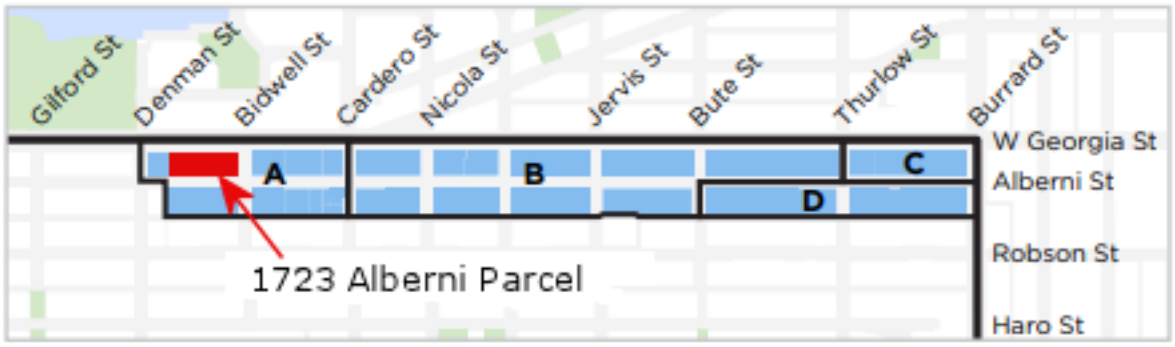

Figure 8 West End Community Plan showing the different zones

According to the guidelines set by the WECP (see Appendix 1), the plan gives 1723 Alberni the opportunity to densify further and build a second tower up to 385 feet and 200,000 sq ft in size on the property. This also gives way to eventually demolish and rebuild the existing tower for another new tower of similar size and almost double the height of the existing tower.

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View cones

Set up in 1989, view cones limit building heights at key locations to allow for expansive mountain and ocean views from 27 key viewpoints established around the city.

As a result of this policy there are 2 view cones that intersect the airspace over the 1700 block of Alberni St. These are view cones 20.2 (at 439 feet) and 20.1 (at 322 Feet).

View cone 20.1 just barely touches the south western edge of the parcel, so any building built on the western end would not intersect this view cone. View cone 20.1 does affect the neighboring parcel at 1798 West Georgia

Figure 9 View cones overlapping 1700 Block of Alberni

St. Any future tower built there would likely be maxed out at around 322 feet high. View cone 20.2 intersects the entire airspace over the 1723 Alberni St. parcel, however being 439 feet high, it does not impede any development since the WECP already restricts the height to 385 feet.

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Height Restrictions

As shown in the guidelines for building heights under the West End Community Plan, section A, where the 1723 Alberni parcel is located can be built as high as 385 feet, as the view cones overhead do not impede the height limits. The image below shows a cross section of the surrounding proposed development projects vs. the maximum height that 1723 Alberni and the neighboring 1788 W. Georgia Parcel can be achieved, as shown in red.

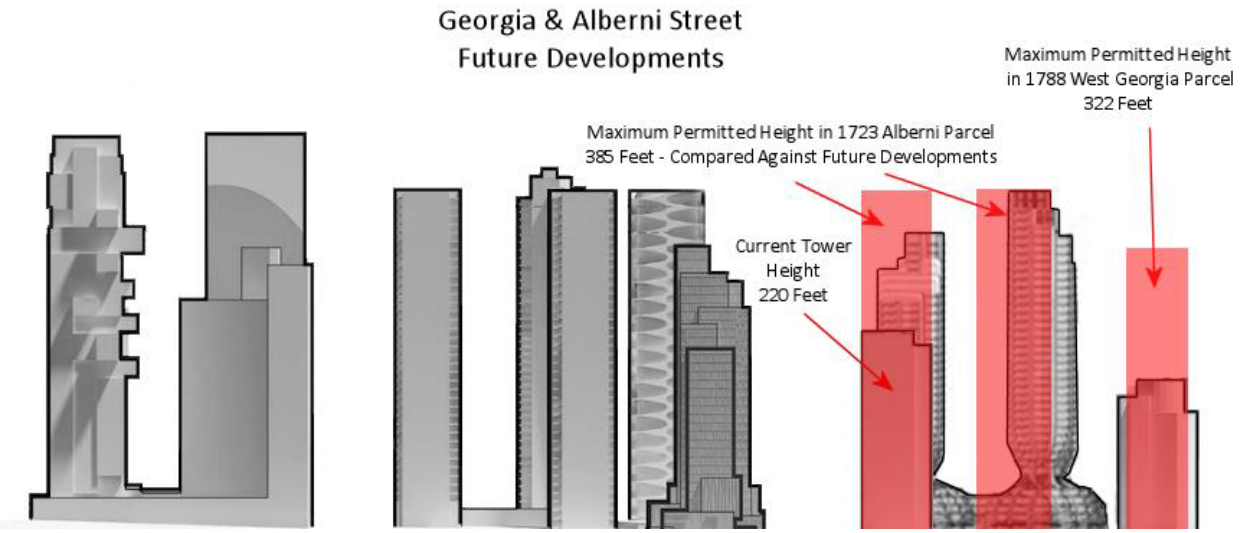

Figure 8 Cross section of building heights

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Shadow Studies

All development applications require shadow studies to see how the building's shadows would impact the surrounding parks and areas. With this in mind, the shadow studies performed on a 385 foot high building would not create a serious shadowing on the two neighboring parks, as there are other buildings that already create shadows in front of it, or the shadows barely penetrate into the park. As a result of these shadow studies, I do not think they will impede any development on 1723 Alberni

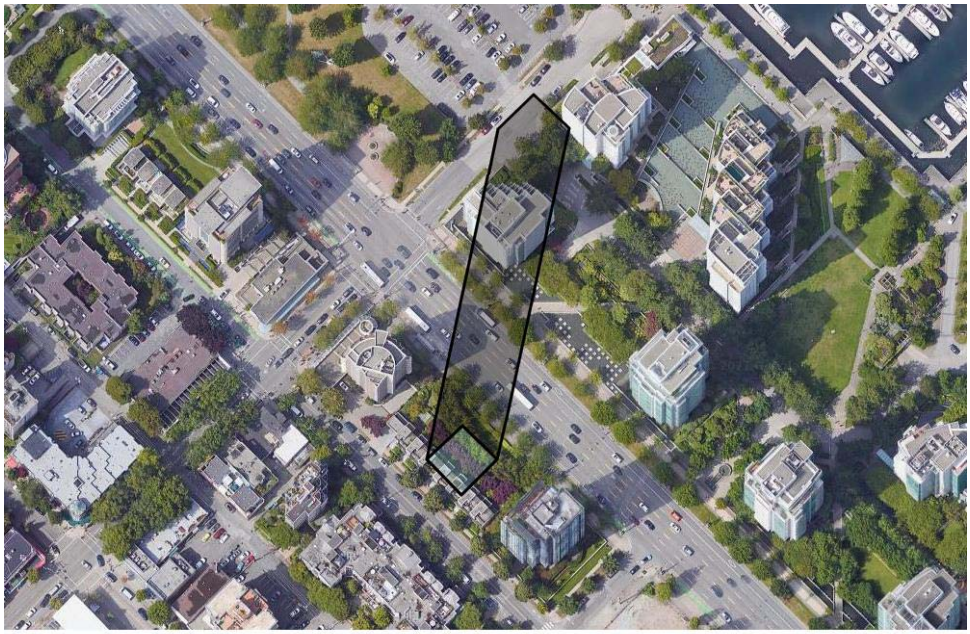

Figure 9 Typical Shadow Studies

St. parcel. In addition, during a public hearing for the redevelopment application for 1698 West Georgia St on April 13, 2021, the city council and its Mayor, Kennedy Stewart, expressed that shadowing considerations on the nearby marina square park may be relaxed as to not impede building heights, allowing for the full height of 385 feet to be realized.

To view the basic shadow studies on a proposed 385 foot mass, click the link below:

https://1723alberni.com/shadow-studies

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Redevelopment Process

Redeveloping 1723-1777 Alberni St would require a multiple step process spanning over the course of a few years. The first step would involve the strata hiring a broker to advertise the strata for sale to various developers. This would require only a simple majority of 50% or more of the owners approving the hiring of an agent for the process. The 80% vote required to wind up the strata is not required at this point to hire the broker.

Before the current strata can be wound up, the strata shareholders would have to agree to sell, which requires a vote of at least 80% voting in favor of selling and winding up the strata. Aside from this vote, it is up to the court's discretion to the terms of the sale requiring overall fairness to the owners. If approved, the developer would then take possession of the strata and most likely convert the existing units in the 1723 Alberni tower to rentals while the redevelopment application goes through various steps required for approval.

The process for getting a new tower built would involve submitting a redevelopment application to the city of Vancouver to increase the density on the parcel of land per the guidelines set in the WECP. This typically takes a couple of years and involves stakeholders such as neighbors and city officials to review and approve the plan. Once that is approved it is up to the developer to decide when to commence on construction.

Option 1

Redevelop the Townhome Section and Build a New Adjacent Tower

Figure 10 Option 1 involves razing the townhome section to build a new tower on top

Option 1 would involve selling the entire parcel to a developer for the estimated selling price of $187 million, and the proceeds split among the owners. There are 2 possible ways to split the proceeds; first one is splitting according to the interest upon destruction. This is a schedule that all strata have when they are registered. It states the stake the unit has as a percentage of the entire piece of land and it is roughly equal to the unit

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strata area as a percentage of the overall strata area. It accounts for higher values as the units rise in floors. So a unit on floor 22 has a marginally higher interest in the property compared to the same sized unit on floor 5, for example. The other way to split the proceeds is to assign an independent assessor to value all the units and have the proceeds split according to a fixed percentage of the value of the units.

Once sold, the developer would then proceed to submit a redevelopment application to demolish the townhome section of the property so that the new tower and parking structure can be built over that existing piece of land. As for the existing tower, since it is relatively young, it would not make sense to demolish it until 10 to 20 years from now. So it would most likely be converted into a rental tower for the developer that they can use to help finance the project. The construction of the second tower would be considered phase 2 of the project, once the existing tower has aged enough to be economical to demolish.

Another benefit of this option is that it avoids having to spend millions of dollars to repair the existing aging building waterproofing membranes, windows, roof and other refurbishments required to maintain the building in good condition. The most expensive are parking lot membrane, which due to leaks is facing a major update in the next 10 years at a cost exceeding 4 million dollars, and the entire exterior curtain glass wall which is due for replacement in 15 to 20 years, estimated to cost in excess of 5 million dollars.

The biggest technical challenge in option one is the issue of the parkade structure, which straddles the entire length of the property. Since the entrance is at the westernmost end of the complex, building a new tower over that section would require the demolition of that section of the parkade, along with its only entrance.

It would be up to the developer to decide how to solve this parking problem. The most economical route would be to simply forgo parking for the tower for about 2 years until the new underground parking structure can be built.

While the idea to build a new tower over an existing complex seems a bit farfetched, it would not be the first of its type proposed. Currently, 1500

West Georgia Street (the office tower located a block away) has recently had its development application approved to build a tower over its spare piece of land (which also has a parking lot structure beneath) on the Eastern end of its plot.

Option 1 Summary:

Benefits:

1. ~60% appreciation in unit value if sold to a developer.
2. Avoids expensive parkade membrane and exterior glass curtain replacements in the coming years.
3. Existing Tower remains, until it is considered old enough to demolish and rebuild a new tower over it.

Drawbacks:

1. Loss of parking while new tower is constructed
2. Townhome section must be demolished in order to construct new tower
3. Exiting Tower units must be converted to rentals as ownership cannot be retained, due to inability to subdivide the parcel in two.

Option 2

Demolish the Entire Complex and Rebuild Two Towers

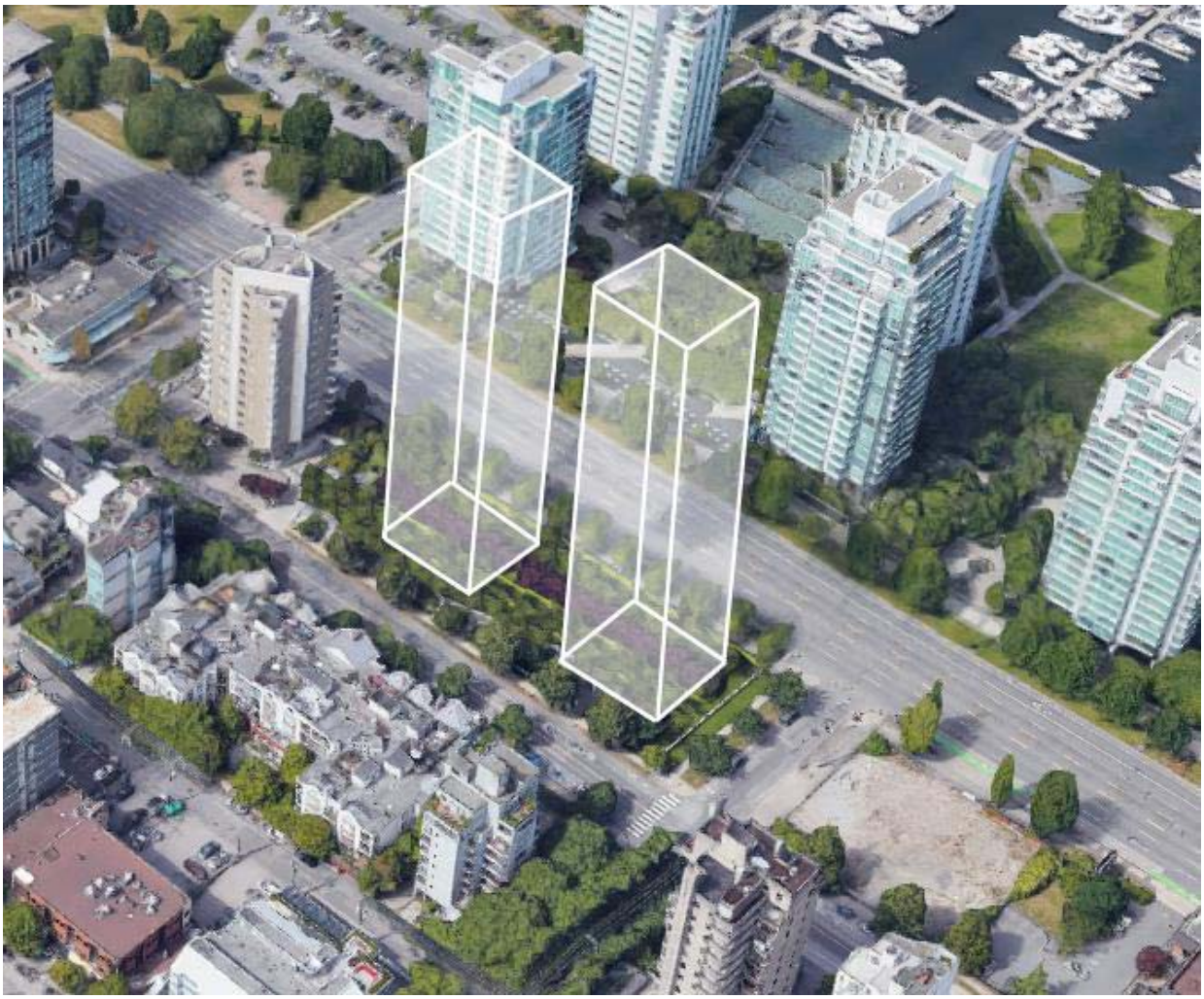

Figure 11 Rendering of 2 New Towers

The second option would involve the developer waiting some time until the conditions are right to demolish all the structures on the property, including the tower, the townhomes and parkade. This would allow the developer to start from a clean slate and build two towers at the same time with a podium in-between if needed. The benefits of this strategy are the cost savings on construction, as it's generally more cost-efficient to build two towers at the same time and not having to deal with the technical difficulties

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of the parkade redesign to accommodate the existing tower's parking needs.

The challenges of this option involve generating the 80% vote required to wind down the strata, as there may be objections to the destruction of a relatively young building. For this scenario, it would make more sense to let the tower building age a bit until it becomes more economically feasible to demolish. The age ranges of buildings being demolished in the surrounding areas are from the 70s to the early 90s, which would imply a useful life of about 30-50 years.

This option presents no technical challenges as demolishing a building that size has already been done many times before.

Option 2 Summary:

Benefits:

1. 60% appreciation in unit value
2. Avoids expensive parkade membrane and exterior glass curtain replacements.
3. Podium can be constructed spanning the 2 towers and no complicated parking issues to deal with.

Drawbacks:

1. Demolishing of existing tower may be considered premature and wasteful given its age, resulting in a long delay before acquisition and construction.
2. All Units will be converted to rental while the developer waits until buildings have depreciated enough to be deemed economical to rebuild.

Option 3

Merge Parcels with 1798 W Georgia Street for up to Three New Towers

Figure 12 Rendering of 3 New Towers

The third option would involve a developer purchasing the 1723 Alberni parcel and the smaller parcel on the west end of the block at 1788 West Georgia St. 1788 West Georgia is a slightly older building built in 1993 and much smaller, rising only 13 Stories. If a developer can buy both lots, it would give the developer the entire block to build up to three new towers in multiple phases. The WECP allows for buildings up to 385 feet on that block; however, view cone 20.1 intersects the majority of the parcel at 1788 West Georgia, which means the maximum height would be limited to around 322 feet.

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This would result in three new towers of staggered heights, as shown above.

This proposal might make sense for a developer since the 1788 W. Georgia plot has an older building on it and is very low density. To combine the lots might mean more cost efficiencies. The approximate value of the lot under 1788 West Georgia is approximately $70m if a 322 foot tower can be built on the property. This represents a premium of nearly 100% more than the total current combined assessment values of $35 million of all the units on that parcel. 1788 West Georgia also has protected and unobstructed views of Devonian Harbour Park, which makes it an attractive parcel to build a new tower on.

Option 3 Summary:

Benefits:

1. ~60% appreciation in unit value for 1723 Alberni and possibly 100% appreciation in unit value for 1788 W Georgia.
2. Avoids expensive repairs in both towers.
3. Podiums can be constructed spanning the 3 towers

Drawbacks:

1. Demolishing of existing buildings may be considered premature and wasteful given its age, resulting in long delay before acquisition and construction.
2. All units will be converted to rental while the developer waits until buildings have depreciated enough to be deemed economical to rebuild.
3. May be difficult to reach agreement with owners of 1788 West Georgia in order sell together as 1 combined Parcel.

Summary

The 1723 Alberni parcel is easily one of the most desirable ones in the entire Georgia Street Corridor. Not only is the property located next to the best urban park in the city, it's also located a block from Robson Street and Denman Street, which are the most popular and desirable places to eat and stroll through in downtown Vancouver.

Another outstanding thing about the 1723 Alberni parcel is the views. Because it's so close to Devonian Park, the property provides unobstructed

Figure 13 North Views from 1723 Alberni Parcel

and protected views of the north and western sections of the park. This makes it an ideal place to live for people who want to be near good restaurants, nice parks, and enjoy lovely views of Stanley Park as the seasons change.

Given the lot can accommodate 2 towers and the current density being a third of the new developments are being built next door, this means that the

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complex, as it stands right now, is very low density, which makes its redevelopment inevitable. I believe it's only a matter of time before a developer will start to notice the potential and start to circle the block so to speak. This is yet another reason why it's so important to organize and sell ourselves as a development opportunity rather than wait for a developer to start strategically purchasing units to gain control as they did in the 4 midrise condo buildings across the street. The latter would result in a wide range of purchase prices and not necessarily a fair and orderly assessment valuation across all units.

The wonderful advantages the 1723 Alberni parcel provides for redevelopment are not only undeniable, they are compelling. It's a waste that one of the best parcels on the Georgia Street Corridor is so undervalued and underdeveloped when it provides such ripe opportunities.

Voting in favor of redevelopment and maximizing density on the parcel could mean a large windfall of more than 50 percent more than current unit valuations. With a windfall like that, it would net the average owner perhaps half a million more than if they sold the unit at current market values. Needless to say, there's a lot to gain from this redevelopment project.

For any additional questions or comments, you may reach me at https://1723alberni.com/contact

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We Need your Feedback

As an owner, we'd like to hear your feedback and whether you intend to vote for or against the redevelopment of 1723 Alberni. Please head to https://1723alberni.com/vote to cast your preliminary vote. In order to pass the resolution, at least 80% would have to vote in favor of selling to a developer to proceed with the redevelopment. This will give us an idea of how many people are in favor of proceeding with a sale to a developer.

All voting information is kept strictly confidential, and only the most recent vote tally's will be revealed so that all residents can have an idea of where we stand.

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Frequently Asked Questions

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Resources

Listed below are various resources for further reading and research.

1. The West End Community Plan: https://vancouver.ca/files/cov/west-end-community-plan.pdf
2. BC Assessment valuations of all units in 1723 Alberni and Townhomes on July 2019 and Hypothetical Buyout Price Calculations: https://1723alberni.com/2019-assessments
3. Neighborhood Development Projects: https://1723alberni.com/neighboring-developments/
4. Strata Council discussing the possibility of eliminating shadowing considerations on Marina Square Park (near the end of the video): https://www.youtube.com/watch?v=jt6WDdP9DJ0
5. Rezoning Policy for the West End: https://guidelines.vancouver.ca/policy-rezoning-west-end.pdf?_ga=2.120330056.1359187903.1621206095-1358278846.1613265996
6. Rezoning Applications map: https://vancouver.ca/home-property-development/rezoning-applications.aspx

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Appendix 1:

Below is an excerpt from the West End Community Plan:

Georgia Corridor

Building heights should not exceed view corridor limits (except in accordance with the General Policy for Higher Buildings). However, where not restricted by view corridors, building heights can be considered up to a maximum of:

- Area 'A': 117.3 metres (385 feet)
- Area 'B': 152.4 metres (500 feet)
- Area 'C': 213.4 metres (700 feet)
- Area 'D': 167.6 metres (550 feet)

Building heights are subject to other Council-approved policies, guidelines, by-laws and urban design considerations, and a minimum site frontage of 39.6 metres (130 feet). Development proposals with frontages of less than 39.6 metres (130 feet) can be considered at the discretion of the Director of Planning, where these proposals include contributions to the Public Benefits Strategy, including secured market rental or social housing.
Maximum densities will recognize urban design considerations on a site by site basis.
To maximize views and sunlight on sidewalks, residential floor plates above the podium level(s) should not exceed:

- Area 'A': 511 square metres (5,500 square feet)
- Area 'B': 603.9 square metres (6,500 square feet)
- Area 'D': 696.8 square metres (7,500 square feet)

In Areas 'A', 'B', 'C' and 'D', rezoning applications to increase density can be considered. Where an application includes a residential component (only outside the CBD), density increases will be considered to support the Public Benefits Strategy (see 17.0 Public Benefits Strategy). • Strengthen Alberni Street (Burrard Street to Bute Street) as an emerging retail district

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