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From: Richard Wozny

To: The City of Richmond

Re: Memo on ALR Residential Development in the City Richmond Land Economics Assessment

1. Questions

This report addresses the following questions:

- (1) What is the impact on demand and price when setting the maximum house size in the ALR at, below, or above, the average house size possible in the City's most common large lot single family residential zoning district RS1E. The average lot size within the RS1/E zone is approximately 8,000 ft² which would permit a house size of 4,200 ft² (including garage).
- (2) If the maximum house size permitted in the ALR is restricted to 4,200 ft² (including garage), what is the anticipated impact on:
 - (a) ALR urban residential development trends, activity, real estate speculation?
 - (b) ALR farm trends, viability, development; the cost to farmers to buy land and lease land?

2. Consultant's Response

(1) General

Based on recent market data, it is clear that some smaller ALR lands are being bought, sold, speculated on and developed as urban residential sites. In economic terms, the ALR properties are being substituted for normal serviced urban residential sites within the City. The focus on ALR lands is a logical and expected outcome of the excessively high priced residential real estate market. Currently, ALR lands offer a greater potential for flexibility than urban sites, particularly when the owner desires a very large house size.

It is the current ability to build a very large house in the ALR which is the primary factor driving small ALR lot prices to levels in the order of \$750,000 to \$1.5 million per acre. While urban to ALR house market substitution is expected, the current trend in very large house sizes on ALR land is an inappropriate non-market trend.

Tables 1 and 2 below show recent ALR residential house sales in the City which are extremely high and inappropriately reflect urban land values.

- (2) If house size on ALR land parcels was restricted to a size of 4,200 ft²:

If house sizes on ALR land parcels were restricted to a size of 4,200 ft², their additional, unique, non-market premium value would no longer apply. The normal background market ALR land values would then apply to the balance of the site land area, after removing the residential potential. The surplus non-residential part of the ALR site, would have a normal ALR land market value.

It is expected that ALR buying activity and speculation would decrease significantly, as the unique appeal of the ALR lands would be gone with the reduced house size. The reduced ALR house size would reduce ALR land prices, to market standards and past trends, allowing buyers with the intention of actual farming, to acquire or lease these types of properties.

The decrease in ALR land prices resulting from a house size restriction would reduce land costs for farmers particularly for lots under 10 acres in size.

- (3) If the City allowed only house sizes which were significantly smaller than 4,200 ft²:

The choice of setting the permitted house size, at a large urban average size is appropriate, as it reflects standards across the City. If the City allowed only house sizes which were significantly smaller than 4,200

ft², it would reduce the value of ALR lands, below market, by a small margin because they would become less attractive, even for farmers.

- (4) If the City permitted house sizes significantly larger than 4,200 ft²:
If the City permitted house sizes significantly larger than 4,200 ft², it would increase the land value above market rates. If, for example, the maximum was set at twice (2X) the standard size (8,400 ft²), the value would likely be close to the current excessive ALR land value. Allowing an ALR house size significantly larger than average would not normalize the currently high ALR land prices.

For clarification, please contact me at 604 250 2992.

Yours truly,



Richard Wozny, Principal
Site Economics Ltd.

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