

Attachment J:

Uptown-Douglas Plan Economic Analysis

Assessment of Potential Transition in Land Uses

November 2021

District of Saanich

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1. EXECUTIVE SUMMARY

Prepared on the direction of Council, this report looks to provide additional information on potential land use transitions through implementation of the Uptown-Douglas (UD) Plan. This includes examining the current profile of industrial, commercial, and residential uses and how the UD Plan land use designations could impact the mix of land uses and municipal tax revenues.

While this analysis provides some insights into future land use transitions, it is limited in its scope, focus and application. The primary intention is to document current conditions and provide some high-level insights on potential changes to the supply/capacity for commercial, industrial, and residential land uses. This document does not constitute a comprehensive analysis of economic information and potential plan outcomes.

The analysis contains three key parts:

- A brief assessment of market conditions and trends;
- Identification of the existing conditions, including distribution of land uses, zoning and tax revenue; and
- Estimation of future land use conditions and potential transitions in land use.

The current market has a 2.2% rental vacancy rate and low for sale residential inventory. The Greater Victoria market also has a 0.4% vacancy rate for industrial and a 7.3% vacancy rate for commercial spaces. The Uptown-Douglas area has a significant amount of the employment lands in Saanich and a focus of the Plan is to maintain and grow this use, while providing significant new residential opportunities through vertical growth.

The existing conditions show, from a BC Assessment perspective, that there are more commercial (62%) than residential (37%) properties in the UD Plan area (based on land area). Industrial properties make up only 1% of land area.

Zoning in the UD area is quite open from a use perspective and enables flexibility to respond to market demand. Notably, many commercial “C” zones permit 100% residential and many industrial “M” zones permit 100% commercial uses. Based on a simplified analysis, the current distribution of zones in the area is 49% commercial, 19% industrial, 11% multi-unit residential and 22% single-detached residential. However, there are a wide range of potential use distributions based on the flexibility in many zones. For example, while 19% of properties have “M” industrial zoning, only 1% of properties have an actual use that is industrial.

With respect to current tax revenue, the Uptown-Douglas area generated a total of \$15.7 million in 2020. The Uptown Shopping Centre generated approximately \$4.4 million, which was about 28% of the total tax revenue in the Plan area. Of total UD area tax revenue, 87% comes from properties that are classified as commercial by BC Assessment, while properties with an industrial assessment generated less than 1% of total revenue. Some of this is attributable to the significant supply of commercial uses, but also that commercial properties are taxed at a rate almost double that of industrial and almost four times that of residential.

It is important to note that tax information in this report strictly illustrates revenue and does not provide data on costs associated with different land uses. While higher intensity land

uses typically generate greater tax revenue, they typically require greater hard and soft costs (i.e. infrastructure, police services, etc.) to service.

In assessing a potential transition of land uses in the area, a set of assumptions were applied to the UD Plan land use designations to obtain an estimate of future development capacity, including the mix of land uses and an overall quantum (square feet) of theoretical development capacity.

Based on UD Plan policy, the development capacity has been increased on virtually every parcel in the Plan area. Overall, the capacity is estimated to be at least five (5) to six (6) times greater than the current supply and well above current zoning allowances. The overall supply of employment uses (industrial and commercial) is anticipated to increase as vertical growth occurs. However, the overall proportion of employment uses will likely decline as significant new residential floor space is developed. Based on development assumptions, theoretical capacity is anticipated to be 71% residential, 24% commercial and 5% industrial. Given the high proportion of existing commercial uses and projected growth rates, it is anticipated that employment uses will predominate for some time.

Many sites will retain commercial uses and will add residential uses through vertical growth. Additionally, many residential sites (including single-detached residential sites) will redevelop in a much higher density residential form. UD Plan policies provide protection for employment uses in certain designations, including through requiring industrial in Mixed-Employment designations, requiring commercial at grade in certain designations/streets and restricting residential uses in the Tennyson Industrial sub-area.

The implementation of the Plan will see a transition away from traditional single-detached residential and lower scale commercial uses. Increases to density will result in the development of more mixed-use buildings (i.e. commercial/residential) and create a greater diversity of housing choices. Higher density residential land use designations will be concentrated closer to the core and could contribute to the area's employment base through policy encouraging mixed-use developments.

The findings of this analysis provide assurances that the land use framework in the Uptown-Douglas Plan is generally supportive of existing land uses and affords the capacity to accommodate continued growth of the area's employment lands in parallel with new residential development. The Plan's land use framework offers a sensitive transition to higher density and mixed employment land uses, encouraging comparable commercial activity but on varying scales of intensity and often in a mixed-use format.

2. PURPOSE

Prepared on the direction of Council, this report looks to provide additional information on potential land use transitions through implementation of the Uptown-Douglas (UD) Plan.

The analysis specifically considers industrial, commercial, and residential uses and how the UD Plan land use designations could impact the mix of land uses and tax revenues.

3. METHODOLOGY

To fulfill the direction of Council, a multi-step process was undertaken to assess high level impacts/implications of the Uptown-Douglas (UD) Plan's policies and land use framework.

Key steps undertaken in the analysis were to:

1. Review **market conditions and trends** relevant to the land use framework in the Plan;
2. Assess the **distribution of current uses** in the Plan area;
3. Assess **existing zoning distribution** for industrial, commercial and residential properties by neighbourhood sub-area;
4. Establish **baseline tax information** for properties in the Plan area, including property classes, municipal tax levy and revenues collected (2020 data);
5. Identify **future capacity/use distribution** based on the land use designations in the UD Plan;
6. Assess **potential transitions in land use** of residential, commercial and industrial; and
7. Document **key findings and insights**.

While the analysis of existing conditions includes all properties in the Plan area, four notable sites are excluded from the analysis of future land use conditions. These sites are excluded due to uncertainty around future land use conditions and/or a low likelihood of change from current development/approvals. More information on excluded sites is provided in Section 6 (Current Uses).

4. LIMITATIONS

While this analysis provides some insights into future land use transitions, it is limited in its scope, focus and application. The primary intention is to demonstrate potential changes to the supply/capacity for commercial, industrial, and residential land uses and provide some high-level insights into how land uses may transition over time.

This document does not constitute a comprehensive analysis of economic information and potential plan outcomes.

5. MARKET CONDITIONS AND TRENDS

Market Trends

Current market conditions indicate the significant need for development of both housing and employment uses. There is an urgent need in the region for market rental and affordable housing, including affordable home ownership. The recent Housing Needs Report (2020) and Saanich Housing Strategy (2021) highlight the importance of meeting these needs and identifies gaps in our market. As a supplement, this report looks to local and regional market conditions and trends through industry reports and forecasts of residential, commercial, and industrial developments.

Residential

The CMHC January 2021 Rental Market Report indicated a 2.2% rental vacancy rate in the Greater Victoria Market. This has increased from 1.0% in 2019, but remains below a healthy level of 3 - 5%. The study also found that vacancy was the highest for three or more bedroom units, with a vacancy rate of 0.9% in the primary rental market.¹

The Colliers market outlook for multi-family property in the greater Victoria area predicts that total sales this year for purpose-built rental will surpass pre-Covid (2019) sales. Currently, there are 13,785 purpose-built rental units on the way (2,583 under construction and the remainder planned or approved) and 6,493 market condos (2,525 under construction)². Overall, the market in the South Island continues to experience a low inventory of housing and high prices. Single-detached residential listings are down this year and condo sales and their values, continue to climb³. In the last five years, condo sales in Saanich have doubled and townhomes sales have, on average, increased in value by over 35%.

A recent CHMC Housing Market Outlook for spring 2021 notes that industry has responded to the escalating housing demand with a focus on developing new single-detached dwellings, primarily in the western communities. The forecast, however, also indicates that due to the progressively competitive sellers' market and serious regional affordability challenges the momentum of single-detached dwelling starts will start to decline and new multi-unit residential development will drive housing starts in the region come 2022⁴.

Commercial

Colliers Office Market Report for 2021 (Q2) suggests that this market has remained fairly stable throughout the pandemic, with a vacancy of 7.3%⁵ in the region. In reference to the pandemic, ongoing vaccinations, and the eventual return to work for many office dwellers through the execution of the Provincial Government's Restart Plan, investors are regaining

¹ CMHC Rental Market Report January 2021 <https://assets.cmhc-schl.gc.ca/sites/cmhc/data-research/publications-reports/rental-market-reports/2020/rental-market-report-69720-2020-en.pdf?rev=936ca622-a6c5-4cbc-b937-d29b1d63cc14>

² Colliers International, Victoria Multi-Family Report, Mid-Year Report (July 2021) <https://www.collierscanada.com/en-ca/research/2021-victoria-multifamily-report-ytd>

³ Victoria Real Estate Board Monthly Statistics, August 2021 <https://www.vreb.org/pdf/VREBNewsReleaseFull.pdf>

⁴ CMHC Housing Market Outlook Report, Spring 2021 <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/housing-market-outlook/2021/housing-market-outlook-61500-spring-2021-en.pdf?rev=4c3c8563-6ed2-417a-98c0-82085815893f>

⁵ Colliers International, Victoria Office Market Report, Q2 2021 <https://www.collierscanada.com/en-ca/research/victoria-office-market-report-2021-q2>

interest in this type of development and vacancies are expected to decrease throughout the remainder of 2021. The report also notes that the mix of public and private sectors in the capital region balances the economy. With this, there is more of a desire to ensure a mix of tenants when reinvesting, including an increased demand for strata units and the ability to invest as owner occupiers.

Industrial

Recent market trends show that the Greater Victoria area is experiencing some of the lowest industrial vacancy rates in North America, at 0.4%⁶. To bring the statistic even closer to home, Saanich's industrial stock had an increased vacancy rate of 0.6% at the close of 2020 which has remained stable into 2021. The impact of such low vacancy for industrial is elevated as the region is also experiencing the highest average lease rates for industrial lands across the country⁷.

According to a recent local market forecast⁸, local markets have small amounts of industrial stock available, and what is available is primarily owner-occupied. The forecast projects, however, that ownership and occupancy of industrial lands in the area may begin to see changes in this regard. Developers from the mainland are beginning to enter the region's market with interests to build new industrial lands for lease and for sale.

Uptown Douglas Corridor Context

Through the implementation of the Uptown-Douglas (UD) Plan, the introduction of new commercial and industrial developments and a suite of new multi-unit residential developments could bring significant economic advantages to the area. The UD area is already host to approximately 20% of employment in Saanich and could develop into an urban mixed-use centre that affords an opportunity to enhance existing assets and create a sustainable, prominent regional hub.

The Uptown-Douglas Plan's concept for industrial land use designations aligns with the potential new wave of what investors from outside markets are seeking - new strata space to lease and purchase. Some in the South Island market believe that "strata industrial is the next big move in Greater Victoria"⁹. Other market experts believe that strata of new industrial developments may become the trend in the capital region because of heightened inequity in the regions supply and demand, with high land costs and extremely low vacancy rates.¹⁰

The UD Plan acknowledges the trend in strata industrial and includes policy that welcomes opportunity for stacked strata developments in the mixed-employment land use designation. This type of development, which is trending in other vibrant markets, can offer options for lease and purchase of industrial, commercial, and residential within one development¹¹. An example of a new strata-industrial development in Langford that sold out with prices like those being seen in suburban markets across the Lower Mainland and with a third of purchases by investors.

⁶ Colliers International, Victoria Industrial Market Report, Q2 2021 <https://www.collierscanada.com/en-ca/research/victoria-industrial-market-report-2021-q2>

⁷ Colliers International, Victoria Industrial Market Report, Q4 2020 <https://www.collierscanada.com/en-ca/research/victoria-industrial-market-report-2020-q4>

⁸ Urban Development Institute, Annual Market Forecast Webinar, January 2021

⁹ Business In Vancouver, Industrial Outlook, Q1 2021(biv.com) p.2

¹⁰ Urban Development Institute, Annual Market Forecast Webinar, January 2021

¹¹ Metro Vancouver, Regional Planning, White Paper: Stratification of Industrial Lands in Metro Vancouver

There is a sweet spot for the viability of new development, where a pro-forma generates adequate returns and a developer gains confidence to perform a calculated risk. Staff recognize that there are shifts in building trends and dynamic markets. Uptown-Douglas Plan land use designations have factored in current market conditions, but have also factored in potential changes in market and building trends to develop a flexible framework that could serve for the next 20 to 30 years. New technologies such as mass timber have the potential to enhance the viability of scales of development that are currently challenging to make viable.

Land Use Review and Market Conditions Analysis (Urban Systems, 2019)

In 2019 Urban Systems land economics team prepared a Land Use Review and Market Conditions Analysis to review proposed directions in the draft Uptown-Douglas Plan. The intent of the analysis was to assess the market conditions in the study area and to test the viability of proposed land use designations (and related base and maximum heights) through several development pro-forma analyses that considered land use, market conditions and financial analysis. The Report included the following:

- A high-level economic assessment of real estate market conditions;
- An assessment of likely absorption rates and current depth of demand for multi-unit residential and commercial real estate;
- A review of the proposed land use designations in the UD Plan and review of their viability from a development perspective;
- Site-specific pro forma analyses for each of the proposed land use designations (looking at both base and maximum heights); and
- A review of long-term development trends and any potential impacts these would have on the development and build-out of the Plan.

The information collected in the Land Review and Market Conditions Analysis was a means to test the land use framework proposed in the then draft Uptown-Douglas Plan, prior to its release to the public for input in the fall of 2019. The analysis has been used as a resource to refine the land use designations and policies in the Uptown-Douglas Plan. It is important to note that the analysis represents a snapshot of market conditions and viability at the time of drafting and is subject to change, as market conditions change.

6. CURRENT USES

A key part of this analysis is understanding baseline conditions and what may change as properties redevelop. To understand the current situation, it is important to look at the distribution of land uses in the Plan area.

The Uptown-Douglas (UD) Plan area is comprised of seven sub-areas with a distinct mix of uses and character. Both the Plan and this report apply the Plan’s neighbourhood sub-areas as a framework for analysis. Figure 1 shows the UD Plan’s neighbourhood sub-areas.



Figure 1: Uptown Douglas Plan Neighbourhood Sub-Areas

Current Uses

A primary interest in the analysis is assessing potential impacts to employment uses. In examining employment uses it is helpful to examine them on a continuum, going from generally lower impact/intensity uses to higher impact/intensity uses. Figure 2 illustrates this continuum of employment uses.



Figure 2: Continuum of Employment Uses

The current use of properties in the Uptown Douglas Area is examined using BC Assessment actual use codes. BC Assessment places property in one or more of nine classes, typically based on the property's type or use. Municipal zoning does not determine property class, though it may be a factor in some cases. Select property tax classes were included in the assessment, informed by existing classes in the Plan area and those relevant to the purpose of the study, and include the following:

- Class 1, Residential: single-family residences, multi-family residences, duplexes, apartments, condominiums, recreational property, and some vacant land;
- Class 5, Light Industry: manufacturing, transport and storage facilities, scrap metal yards, wineries, and boatbuilding; and
- Class 6, Business/Other: offices, retail, warehousing, hotels and motels, production of food and non-alcoholic beverages, and properties that do not fall into other business classes.

For the purposes of this report, Class 5 and Class 6 are referred to as 'Industrial' and 'Commercial', respectively.

The BC Assessment use codes are a coarse tool and do not always pick up nuances in uses or relate directly to zoning. In some instances, the commercial use category incorporates uses that could be considered light industrial in some contexts. Figure 3 provides a graphic example of the range of employment uses and general alignment with BC Assessment property codes. Note that Class 6, Business/Other is identified as commercial in this graphic and in subsequent analysis.

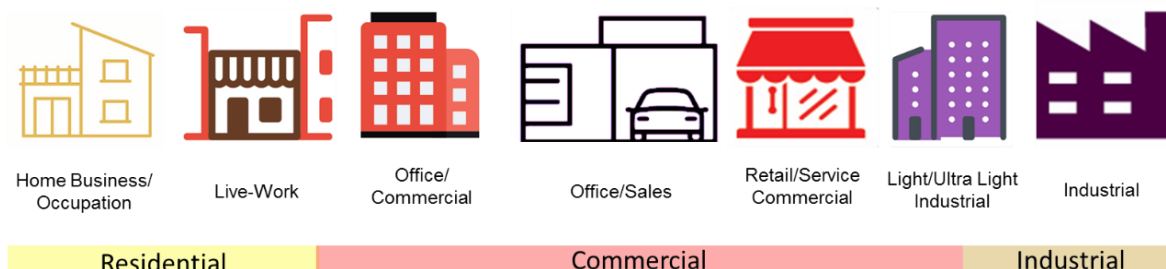


Figure 3: Typical Classification of Employment Uses by BC Assessment Property Tax Class

Based on the analysis of the current tax classes for each property, Table 1, below, shows the distribution of properties by tax class by the UD Plan's neighbourhood sub-areas.

Neighbourhood Sub-Area	Commercial Class 6	Industrial Class 5	Residential Class 1
Douglas-Oak Hub	97%	>1%	3%
Tennyson Industrial Quarter	87%	3%	10%
Tolmie Quarter	25%	9%	66%
Rudd Neighbourhood	3%	0%	97%
Mt. View Neighbourhood	27%	0%	73%
Nigel Valley-Municipal Campus	36%	0%	64%
Rutledge Neighbourhood	42%	0%	58%
Total	61%	1%	38%

Table 1: Distribution of Parcels by Property Tax Class and Neighbourhood Sub-Area (% of Lot Area)

While Table 1 indicates the distribution of uses by parcel area, it is important to note that the proportional distribution of built floor space is relatively similar. Of total floor space in the UD Plan area, 61% is commercial (3,184,049 sq. ft.), 38% is residential (2,016,872 sq. ft.) and 1% is industrial (50,163 sq. ft.).

In general, the use profile (from a BC Assessment / tax classification perspective) in each neighbourhood sub-areas could be described as follows:

- Predominantly commercial (Douglas-Oak Hub, Tennyson Industrial Quarter);
- Mix of residential and commercial (Rutledge, Nigel Valley); and
- Predominantly residential (Rudd, Mt. View, Tolmie Quarter).

Key Insights

- Approximately 1% of the Uptown-Douglas Plan land base is considered industrial by BC Assessment.
- The area of greatest residential intensification, the Douglas Oak-Hub, currently has less than 5% of properties classified as residential.
- From a property tax class perspective, commercial properties account for 61% of land in the Uptown-Douglas Plan area.

7. ZONING ANALYSIS

There are 43 individual zones that apply to existing parcels within the Uptown-Douglas (UD) Plan boundary. To simplify the data sets, specific zones were grouped into more general land use classifications. This grouping allowed properties to be aggregated into four primary categories for the purposes of showing the distribution of industrial, commercial, and residential land uses. Generally, properties were grouped as follows:

- “RS” zones were considered single-detached residential
- “RA”, “RT”, “RM” and “CD” zones were considered multi-unit residential
- “C” zones were considered as commercial
- “M” zones were considered as industrial

A zoning capacity analysis has been prepared to illustrate the distribution of zoning in the UD Plan area (see Table 2, below). The analysis highlights the current zoning distribution of industrial, commercial, and multi-unit residential land uses in each neighbourhood sub-area.

Neighbourhood Sub-Area	Commercial	Industrial	Multi-Unit Residential	Single-Detached
Douglas-Oak Hub	96%	4%	0%	0%
Tennyson Industrial Quarter	1%	96%	0%	3%
Tolmie Quarter	17%	17%	13%	53%
Rudd Neighbourhood	3%	0%	38%	58%
Mt. View Neighbourhood	19%	24%	12%	45%
Nigel Valley-Municipal Campus	46%	0%	13%	41%
Rutledge Neighbourhood	37%	5%	27%	31%
Total	49%	19%	11%	22%

Table 2: Existing Zoning Distribution by Neighbourhood Sub-Area (% of Lot Area)

Flexibility of Permitted Uses within Zones

In assessing future potential capacity, there is high amount of variation that results based on the use flexibility in current zoning. For example, the Douglas-Oak Hub is indicated as 96% commercial, but a majority of sites in this area would permit all or some of the site to be residential. The following examples illustrate the fluidity of current zoning and the range of uses that are permitted in many of the zones.

C-6DE Zone

The C-6DE Zone is primarily located between Douglas Street and Blanshard Street and is the most common zone in the Douglas-Oak Hub sub-area. While the current use profile is almost entirely commercial, zoning permits buildings up to 5 storeys (15 metres) with permitted uses on any particular site including:

- 100% Commercial
- 100% Residential
- Any combination of Commercial and Residential

M-1DW Zone

The M-1DW occupies the majority of properties in the Tennyson Industrial Quarter. While the “M” zoning generally represents industrial zoning, there is a range of uses permitted, including industry, office and a limited amount of retail. On any site you could have:

- 100% Commercial
- 100% Industrial
- Any combination of Commercial and Industrial
- Accessory Residential for owner / caretaker (limited to one dwelling unit)

Key Insights

- Currently, commercial and industrial zones permit a wide range of uses and enable flexibility for property owners.
- Height/density limits in some zones may be more of a limiting factor for redevelopment that permitted uses.
- Industrially zoned property will not necessarily be taxed an industrial rate. In the UD Plan area 19% of properties have industrial zoning, but only 1% are considered industrial by BC Assessment. The actual business use will determine the tax rate, and at times a blended rate will apply (a property may be taxed two or more property tax class rates).
- Industrial zoning capacity is relatively high, but a small number of properties are classified as industrial by BC Assessment and taxed at the industrial rate.
- The broad range of industrial and commercial uses currently permitted through zoning generally aligns with the intended operations in the industrial and mixed-employment land use areas in the UD Plan.

8. BASELINE TAX REVENUE INFORMATION

The purpose of cataloguing tax data in this analysis is to understand the current tax revenue profile in the area as a baseline to consider impacts of land use transitions for industrial, commercial, and residential properties through implementation of the Uptown-Douglas (UD) Plan. Property data from municipal records and BC Assessment was used to assess current uses and municipal tax revenues.

It is important to note that while revenue figures are indicated, associated municipal costs such as those for infrastructure, maintenance and policing are not. In general, higher impact uses (industrial, commercial) and higher density uses tend to produce a higher cost burden on municipalities.

The tax analysis applied the data sourced from taxable assessments of land and improvements (the “property class”) and tax revenue generated by the three applicable property classes. The tax levy (the municipal “tax revenue”) represents the total tax paid for the 2020 year and was determined by the taxable value and the property class tax levy rate.

Tax Rate

Tax rates determine how much tax a property must pay, based on the assessed value of the property. The tax rate applies to each \$1,000 of assessed value. BC Assessment generates property assessments for all properties in B.C., every January. Saanich Council sets the tax rates after it adopts the annual budget each year. The budget sets out how much total tax revenue needs to be raised. The following table shows the select property tax classes and the tax rate that was applied to this economic analysis:

Property Tax Class	Report Reference Name	General Municipal Tax Rate*
Class 1 – Residential	Residential	3.081
Class 5 – Light Industry	Industrial	7.214
Class 6 – Business/Other	Commercial	12.223

Table 3: District of Saanich Tax Rate, 2020 (*Dollars of tax per \$1000 of taxable value)

Distribution of Parcels by Property Tax Class

For the purposes of taxation, each property is assigned a property tax class (or classes) and assessed value. Table 4, below, provides the lot area distribution of property tax classes within each of the neighbourhood sub-areas.

Neighbourhood Sub-Area	Commercial Class 6	Industrial Class 5	Residential Class 1
Douglas-Oak Hub	3,739,235	8,804	112,325
Tennyson Industrial Quarter	1,323,520	49,177	153,414
Tolmie Quarter	161,620	60,779	428,708
Rudd Neighbourhood	28,912	0	906,453
Mt. View Neighbourhood	295,307	0	804,722
Nigel Valley-Municipal Campus	427,866	0	753,446
Rutledge Neighbourhood	839,082	0	1,159,082
Total	6,815,542	118,760	4,318,150

Table 4: Distribution of Lot Area (in square feet) by Tax Class and Neighbourhood Sub-Area

Property Tax Revenue

Properties within the Uptown-Douglas Plan area generated \$15.7 million in tax revenue, with approximately 28% of that coming from the Uptown Shopping Centre. To obtain property tax revenue, the assessed value of each property is multiplied by the applicable property class tax rate. Table 5, below, shows the distribution of tax revenue by property tax class within each of the Uptown-Douglas Plan's neighbourhood sub-areas.

Neighbourhood Sub-Area	Commercial % Class 6	Industrial % Class 5	Residential % Class 1
Douglas-Oak Hub	98%	<1%	2%
Tennyson Industrial Quarter	93%	1%	6%
Tolmie Quarter	51%	7%	42%
Rudd Neighbourhood	8%	-	92%
Mt. View Neighbourhood	60%	-	40%
Nigel Valley-Municipal Campus	1%	-	99%
Rutledge Neighbourhood	71%	-	29%
Total	87%	0.4%	13%

Table 5: Distribution of Tax Revenue by Tax Class and Neighbourhood Sub-Area

The total tax revenue generated in the Uptown-Douglas area and each neighbourhood sub-area is shown in Table 6, below.

Uptown-Douglas Plan Area	Tax Levy (Millions)	Share of Levy
Douglas- Oak Hub	\$10.0	63%
Tennyson Industrial Quarter	\$2.0	12%
Tolmie Quarter	\$0.4	2%
Rudd Neighbourhood	\$0.4	3%
Mt. View Neighbourhood	\$0.9	6%
Nigel Valley – Municipal Campus	\$0.3	2%
Rutledge Neighbourhood	\$1.9	12%
Total	\$15.9	100%

Table 6: Existing Tax Levy for Neighbourhood Sub-Areas (in millions and by percent)

To provide context, it is helpful to understand that a handful of properties generate a significant proportion of the overall revenue in the area, both due to their land area, as well as the relative intensity of the use(s) on the site. Most prominent among these sites is the Uptown Shopping Centre, which generated approximately \$4.4 million in tax revenue in 2020, which was about 28% of the total tax revenue in the Plan area.

Figure 4, below, shows the relative level of tax revenue per hectare for each parcel within the Uptown-Douglas area.

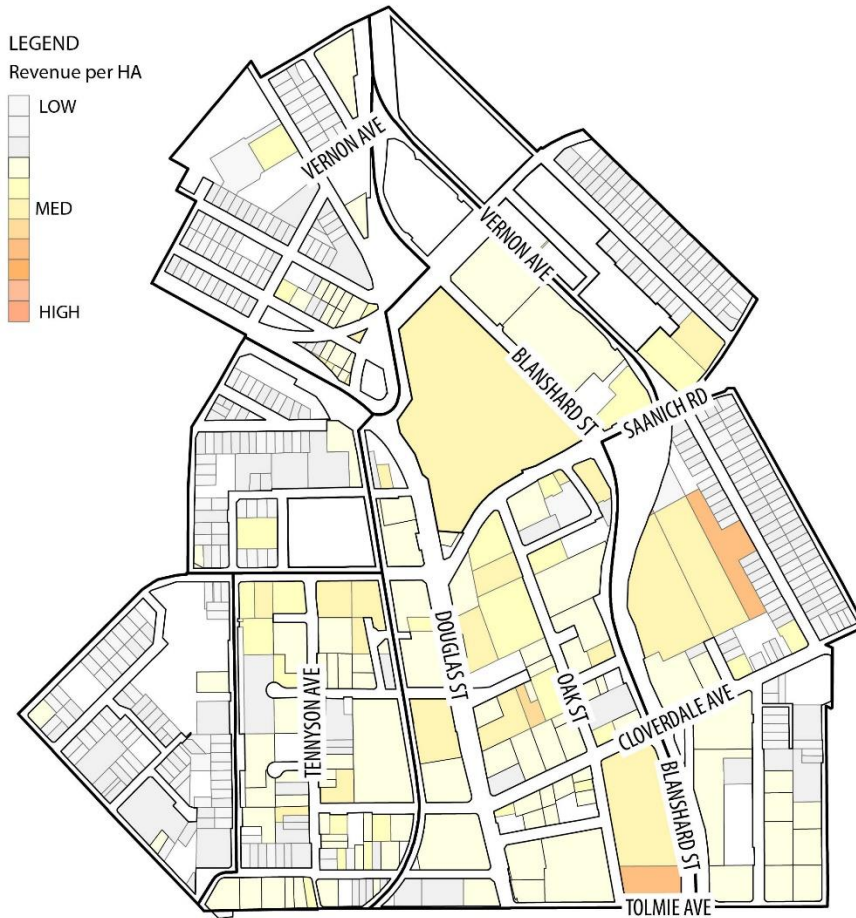


Figure 4: Tax Revenue per Hectare (\$ Millions), Existing Conditions

In the Uptown-Douglas area, 87% of tax revenue is generated by commercial uses, with less than 1% of tax revenue from properties classified as an industrial use (see Table 7). Residential property, dominated by single-detached building forms, account for 13% of the total levy in the UD Plan area.

Property Tax Class	Tax Levy (% Percent)	Total Levy (\$ Millions)
1 – Residential	13.1%	\$2.07
5 – Light Industry	0.4%	\$0.06
6 – Commercial	86.5%	\$13.73
Uptown-Douglas Plan Total	100%	\$15.87

Table 7: Percent of Tax Levy by Property Tax Class for the Uptown-Douglas Plan

Table 8, below, again shows the total tax revenue generated in the Uptown-Douglas area and highlights the two neighbourhood sub-areas with the highest proportion of industrially zoned land, which collectively account for roughly 15% of the total tax revenue in the Plan area.

Uptown-Douglas Plan Area	Tax Levy (\$ Millions)	Tax Levy (% Percent)	Tax Levy per Hectare (\$ Millions)
Tennyson Industrial Quarter	\$2.0	12.5%	\$0.14
Tolmie Quarter	\$0.4	2.5%	\$0.06
Industrial Sub-Areas Total	\$2.4	14.9%	\$0.12

Table 8: Tax Levy for Industrial-based Land Use (in \$ millions), by Tax Levy Share (% Percent) and Per Hectare (in \$ Millions)

Key Insights

- Properties that are classified as Commercial by BC Assessment are the greatest generators of tax revenue in the Plan area (87% of total revenue).
- Properties classified as Industrial by BC Assessment generate very little tax revenue (0.4% of total revenue).
- Residential land use in the area is largely in the form of single-detached residential, and properties with residential classification generate a relatively small amount of tax revenue (13% of total revenue).
- Tax information strictly illustrates revenue and does not provide data on costs associated with different land uses. While higher intensity land uses typically generate greater tax revenue, they typically require greater hard and soft costs (i.e. infrastructure, police services, etc.) to service.
- The commercial/business tax rate is almost double that of industrial and close to four (4) times that of residential.
- The Uptown Shopping Centre generated approximately \$4.4 million in tax revenue in 2020, which was about 28% of the total tax revenue in the Plan area.

9. FUTURE LAND USE

A key component of this analysis involves assessing the Uptown-Douglas (UD) Plan's directions and projecting future land use conditions. Land use change in the Uptown-Douglas area will be guided by the Plan's land use designations. Figure 5, on the following page, shows the Plan's land use map.

For each parcel, the UD Plan identifies:

- A range of permitted uses;
- Required uses (in some instances);
- A base building height;
- A maximum building height; and
- Design and street interface guidelines.

The Plan does not identify specific densities, but uses building height, setbacks and design parameters to guide building form.



Figure 5: Uptown-Douglas Plan Land Use Designations

In assessing a potential transition of land uses in the area, a set of assumptions were applied to the land use designations to obtain an estimate of future development capacity, including the mix of land uses and an overall quantum (square feet) of theoretical development capacity. The assumptions identified a likely mix of residential, commercial, and industrial for each parcel and an estimated density (floor space ratio) for base and max height scenarios based on Plan guidelines.

Sites Excluded

Several major sites in the Uptown-Douglas Plan area have been excluded from this analysis due to the uncertain nature of future land uses (Municipal Campus and the Greater Victoria School Board sites) or the complexity of certain sites / coupled with the low likelihood of changes from recent developments / development approvals (Uptown Shopping Centre, Nigel Valley Master Development Plan).

Given the near build-out of the Uptown Shopping Centre, including the proposed tower development (24 storeys), and the unlikely redevelopment of the remainder of the site during the life of the UD Plan, the Uptown site has been removed from this analysis. Nigel Valley Master Development Plan was also omitted from the analysis as the site has received approval for a mix of low, medium, and high-rise developments and includes a variety of market complexities surrounding a suite of affordable and supportive housing units that are owned by five on-site housing and care operators. Again, these approved uses are unlikely to change in the life of the plan.

The Municipal Campus and the Greater Victoria School Board sites have been excluded from the analysis due to the future land use designations – ‘Mixed Institutional’ that provide a broad range of redevelopment opportunities including schools, community facilities, commercial mixed-use, and recreation. Assumptions for this land use designation are difficult to project and would offer little certainty surrounding future transitions building type and use.

Figure 6 shows the location of excluded sites. Please note that these exclusions will have some impact on the future estimates of the land use mix and overall capacity numbers.

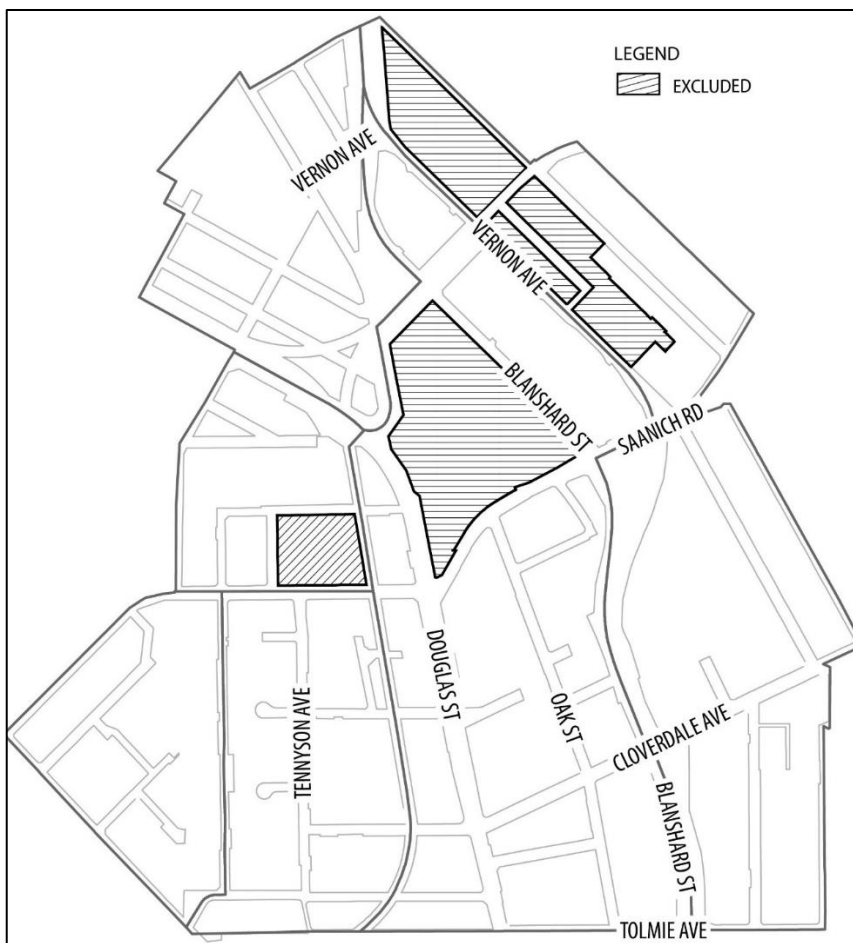


Figure 6: Sites excluded from Future Land Use Analysis

Future Land Use Mix

The Uptown-Douglas Plan land use designations provide direction on permitted residential, commercial and institutional uses. Based on these directions, a set of assumptions on land use mix were developed for each land use designation. Table 9 illustrates estimated future land use distribution (floor space) by neighbourhood sub-area based on these assumptions.

Neighbourhood Sub-Area	Land Use Designation	%	Residential %	Commercial %	Industrial %
Douglas-Oak Hub	Core	72%	76%	24%	-
	Urban Mixed-Use	28%			
Mt. View Neighbourhood	Core	38%	89%	11%	-
	Urban Mixed-Use	12%			
	Mid-Rise Residential	18%			
	Neigh. Apartment	32%			
Nigel Valley-Municipal Campus	Mid-Rise Residential	30%	100%	-	-
	Neigh. Apartment	28%			
	Neigh. Residential	41%			
Rudd Neighbourhood	Neigh. Apartment	100%	95%	5%	-
Rutledge Neighbourhood	Urban Mixed-Use	40%	82%	18%	-
	Mid-Rise Residential	28%			
	Neigh. Apartment	22%			
	Neigh. Residential	11%			
Tennyson Industrial Quarter	Tennyson Industrial	71%	24%	49%	27%
	Mixed Employment	28%			
	Neigh. Apartment	1%			
Tolmie Quarter	Mixed Employment	54%	64%	22%	14%
	Mid-Rise Residential	13%			
	Neigh. Apartment	33%			

Table 9: Future Estimated Land Use Distribution by Neighbourhood sub-area and Land Use Designation (excludes park and excluded sites (see notes above))

**Note: Estimates do not include Uptown Shopping Centre, Municipal Hall, School Board and Nigel Valley sites*

Capacity Estimates

Tables 10 and 11, below, identify estimates of the future land use mix and theoretical capacity based on UD Plan land use designations. Table 10 identifies a capacity estimate using “Base” policy heights, while Table 11 uses “Max” policy heights. The capacity number does not represent a projected build out the area over the 20-to-30-year time horizon. Rather they indicate a high-level estimate of overall theoretical capacity to assist in getting a sense of the relative proportion of different land uses. Many sites will not develop over the plan’s time horizon due to existing productive uses, site assembly challenges, heritage status, site contamination, market conditions or other factors.

Land Use Designation	Commercial		Industrial		Residential	
	ft ²	%	ft ²	%	ft ²	%
Core	1,721,262	20%	-	-	6,886,491	80%
Urban Mixed-Use	2,159,995	33%	-	-	4,367,660	67%
Tennyson Industrial	1,933,295	70%	828,555	30%	-	-
Mixed Employment	737,454	27%	623,760	22%	6,886,491	80%
Mid-Rise Residential	210,671	5%	-	-	4,367,660	67%
Neighbourhood Apartment	204,009	5%	-	-	6,886,491	80%
Neighbourhood Residential	0	0%	-	-	4,367,660	67%
Total: UD Plan - Base	6,966,686	24%	1,452,315	5%	21,063,371	71%

Table 10: Uptown Douglas Plan – Future Base Building Height Theoretical Capacity

**Note: UD Plan capacity does not include Uptown Shopping Centre, Municipal Hall, School Board and Nigel Valley sites*

Land Use Designation	Commercial		Industrial		Residential	
	ft ²	%	ft ²	%	ft ²	%
Core	2,319,408	20%	-	-	9,277,634	75%
Urban Mixed-Use	2,845,708	33%	-	-	5,754,218	67%
Tennyson Industrial	2,818,344	70%	1,207,862	30%	0	-
Mixed Employment	737,454	27%	623,760	22%	1,420,649	58%
Mid-Rise Residential	294,563	5%	-	-	5,596,701	95%
Neighbourhood Apartment	252,884	5%	-	-	4,804,804	95%
Neighbourhood Residential	-	-	-	-	588,439	100%
Total: UD Plan - Max	9,268,361	24%	1,831,622	5%	27,442,445	71%

Table 11: Uptown Douglas Plan – Future Max Building Height Theoretical Capacity

**Note: UD Plan capacity does not include Uptown Shopping Centre, Municipal Hall, School Board and Nigel Valley sites*

Uptown-Douglas Plan Policies

Some of the key objectives of the UD plan are to expand opportunities for higher density development, increase housing options, encourage more industrial development, and retain a focus on employment uses in key locations. With the new land use framework a key concern is the loss of employment lands. The Plan responds by providing a significant increase in overall capacity, while also creating more structured requirements for commercial and industrial uses in certain contexts.

As noted previously, the current zoning permits a vast range of uses on a significant number of parcels. Many parcels with employment uses could transition to residential under existing zoning. The UD Plan looks to provide a greater degree of certainty for how those changes will unfold and promote outcomes consistent with the area's vision as the heart of Saanich.

Currently, a large portion of the study area is occupied by single-storey commercial buildings. In many circumstances, the Plan looks to retain that commercial use at grade and provide opportunities for additional residential, commercial and/or industrial through increased height allowances.

Specific policies / guidelines that support employment uses are:

- Increases to the supported building height/development capacity on virtually every parcel within the Plan area;

- An expansion of properties that permit industrial uses through the introduction of the Mixed Employment land use designation around the School Board site;
- Requirement for commercial uses at grade in the Core designation;
- Requirement for at least 50% of the first two-storeys to be light industrial in the Mixed Employment designation; and
- Increased allowances for height and density in the Tennyson Industrial designation area with restriction of residential uses.

Key Insights

- Capacity for all land uses is increased under the UD Plan.
- The overall proportion of employment uses (industrial and commercial) will likely decline, but the overall supply is anticipated to increase as vertical growth occurs.
- The overall development capacity based on UD Plan policies is estimated to be at least five (5) to six (6) times greater than the current supply.
- Industrial could provide 5% of the total land use mix/capacity, concentrated in the Tennyson Industrial and Tolmie Quarters, representing a significant increase from the current share, which is less than 1%.
- The Uptown-Douglas Plan policy could assist in protecting and enhancing industrial activity in the Tennyson Industrial Quarter and Tolmie Quarter through requirements for a minimum amount of industrial floor space.
- Many existing sites will retain commercial uses and will add residential uses through vertical growth.
- Neighbourhood sub-areas situated on the periphery of the Plan boundary could deliver 40% of new residential in low to mid-rise building forms, largely replacing existing single-family dwellings.

10. POTENTIAL LAND USE TRANSITION

To analyze the potential land use transitions in the Uptown-Douglas (UD) Plan area, this analysis examines future overall development capacity and overall proportion of uses. In looking at the relative proportion of future land uses, the report assesses how the mix of industrial, commercial, and residential uses will change over time. The second dimension looks at the overall capacity for each use to assess potential changes in overall supply.

Included in Table 12, below, is the current land use mix, as defined by the BC Assessment property class of the property and the projected land use mix under UD Plan policy capacity assumptions.

Land Use	BC Assessment Property Class (existing)	Uptown-Douglas Plan* (capacity)
Commercial	62%	22%
Industrial	1%	5%
Residential	37%	73%

Table 12: Land Use Mix by Property Class (existing) and UD Plan (estimated)

**Note: UD Plan capacity does not include Uptown Shopping Centre, Municipal Hall, School Board and Nigel Valley sites*

Table 13 provides supplementary detail to Table 12, as it looks to illustrate existing capacity with projected overall theoretical development capacity. The Uptown-Douglas Plan will enable a significant uptick in density, in many case three (3) to five (5) times what is possible under current zoning. Actual zoning capacity is not shown in this table, due to the flexibility / variability in potential uses.

Land Use	Existing Floor Space (ft²)	UD Plan** (Base Height) (ft²)	UD Plan** (Max Height) (ft²)
Commercial	3,184,049	6,966,686	9,268,361
Industrial	50,163	1,452,315	1,831,622
Residential	2,016,872	21,063,371	27,442,445
Total	5,251,084	29,482,373	38,542,428

Table 13: Comparison of Existing Development and Potential Development Capacity under UD Plan (ft² of Gross Floor Area)

**Note: UD Plan capacity does not include Uptown Shopping Centre, Municipal Hall, School Board and Nigel Valley sites*

This analysis did not include a projected build out analysis with spatial projections of annual development activity nor does it include the total existing capacity of excluded sites in the study area. The area of excluded sites is roughly 1.2 million square feet of gross floor area.

Likely Development Outcomes

While the above analysis provides some numbers that indicate the theoretical capacity of potential changes, it is also helpful to understand some likely development outcomes based on UD Plan policies. These potential outcomes include:

- In the Core designation, existing one to three storey commercial uses will transition to higher density mixed use buildings with one to six storeys of commercial and eight to 20 floors of residential.
- In periphery areas, many existing single family properties will transition to low to mid density multi-unit developments, including townhouses and apartments.
- In industrial areas, single storey commercial and/or industrial buildings will change to a multi-storey format of industrial and commercial, with the possibility of residential in upper storeys in select areas.

High Level Tax Revenue Implications

This analysis did not involve a quantitative assessment of the potential future implications of a change in land use with respect to property tax revenue. An estimation of future tax revenue is a complex exercise that would need to account for a multitude of factors and variables. Analysis of this sort would need to involve expertise external to the District.

As shown earlier, existing tax revenues per hectare are highest in employment areas, which correspond to the UD Plan's employment-oriented and mixed-use land use designations, namely: Tennyson Industrial, Mixed-Employment, Core and Urban Mixed-Use. Given land use requirements and permitted densities in the UD Plan, it is anticipated that these areas

will continue to generate the greatest tax revenue in future. Additionally, given the significant increase in permitted building heights, it is anticipated that virtually all sites in the UD Plan area have the potential to generate a higher rate of tax revenue than current.

Key Insights

- Based on development assumptions, 5% of the potential floor space capacity is anticipated to be industrial, which is 10-15X more than the current supply.
- The most significant gain in capacity is for residential uses, with a 5-7X increase when compared to existing supply.
- 37% of the Plan area is currently occupied by residential uses, with 22% of that area being single-detached homes. Much of the gains in residential floor space will be derived from intensification of properties with existing residential uses
- The amount of commercial floor space is expected to increase, but at a much slower pace than residential uses.

11. CLOSING SUMMARY

This economic analysis has been prepared to provide supplemental information on the economic impacts derived from changes to industrial, commercial, and residential lands in the Uptown-Douglas (UD) Plan area. The analysis provides some insights into current conditions and a potential transition of land uses, but is limited in its scope, scale and application.

As the area begins to accommodate higher density developments, with a focus on residential, a critical test will be to ensure compatibility between existing employment uses and new residential uses. Additionally, it is imperative that through implementation of the Plan that the integrity of the industrial area is maintained and enhanced and that new developments capitalize on new and emerging trends in the industry. Supporting existing business operations and further diversifying employment opportunities will be foundational to the success of the area. The introduction of new commercial and industrial developments and a suite of new multi-unit residential developments could bring significant economic advantages to the area. Economic vitality in the UD area is supported in the Plan and could be strengthened through intensification of existing land uses and the introduction of transit supportive development.

The findings of this analysis provide assurances that the land use framework in the Uptown-Douglas Plan is generally supportive of existing land uses and affords the capacity to accommodate continued growth of the area's employment lands in parallel with new residential development. The Plan's land use framework offers a sensitive transition to higher density and mixed employment land uses, encouraging comparable commercial activity but on varying scales of intensity and often in a mixed-use format.