

MEMORANDUM

Date: May 8, 2020
To: Guillermo Ferrero, Ladysmith Chief Administration Officer
cc:
From: J.P. Raulot-Lapointe – Land Economics Senior Consultant
Justin Barer – Land Economics Lead
File: 1616.0020.01
Subject: New Town Hall Development – Scenario Financial Analysis

1.0 INTRODUCTION

This brief report provides a review of the financial implications of building a new Town Hall for the Town of Ladysmith, reviewing multiple concept scenarios at three locations.

The current Town Hall no longer fits the needs of the community, and Town Hall employees are now working out of multiple locations in off-site leased office space as the existing Town Hall building is too small.

However, building a new Town Hall is expensive, and Ladysmith is considering a range of options including adding commercial space, and / or rental residential, to a new build in a bid to offset costs (both capital and operating). This has been done successfully in other jurisdictions, including on Vancouver Island. The Town is also considering opportunities to sell current municipal assets – including the existing Town Hall – to raise equity for development of a new structure.

Each of the development options is defined and the financial implications reviewed. The scenarios considered in this analysis are as follows:

- Buller Street Site:
 - Developing a new Town Hall on the Buller Street site (i.e. a stand-alone Town Hall, without ancillary civic, commercial or residential space)
 - Developing a new Town Hall on the Buller Street site, with equity from the sale of the existing Town Hall site used for this development
 - Developing a new Town Hall with integrated Library on the Buller Street site, incorporating equity from selling the old Town Hall site
 - Including a small retail component with the development of a new Town Hall and Library on the Buller Street site, plus incorporating equity from selling the old Town Hall site
 - Including rental residential, with the development of a new Town Hall, Library, and retail space on the Buller Street site, incorporating equity from selling the old Town Hall site

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- Works Yard or Machine Shop:
 - Developing a new Town Hall at either the Town Works Yard or within the Machine Shop structure in the Waterfront Area Plan (WAP) area, incorporating the equity from selling the old Town Hall site *and* the Buller Street site to fund the works
 - Including a new library with the development of a new Town Hall on either the Works Yard or within the Machine shop, incorporating the equity from selling the old Town Hall site and the Buller Street site
 - Including retail space within the development of a new Town Hall and Library on either the Works Yard or within the Machine shop, incorporating the equity from selling the old Town Hall site and the Buller Street site

When the first draft of this report was completed in early March 2020, the COVID-19 pandemic was only on the periphery of our collective radar in British Columbia. Since then, it has become apparent that the pandemic is significantly affecting, and will continue to, affect the economy of British Columbia, both this year and likely for the coming 2+ years at least. It will significantly impact a number of sectors, including tourism, retail and real estate sales. Impacts on these sectors will likely influence some of the assumptions presented in this document which were used to inform financial analyses, but at this point the degree of impact is unknown.

Commentary regarding the potential impacts and implications of COVID-19 are presented in these callout boxes at points throughout the document.

2.0 TOWN HALL DEVELOPMENT ASSUMPTIONS

2.1. BASE ASSUMPTIONS

Some of the basic parameters for developing a new Town Hall in Ladysmith come from the “City Hall Optimization Project” study prepared by *Process Four* in 2016. That report assumed that the new Town Hall would be developed on the Town-owned lands at the intersection of First Avenue and Buller Street (i.e. the Buller Street site). That site is comprised of four adjacent lots with a total site area of approximately 28,800 square feet.

To control costs, it was assumed that all parking would be surface parking, and therefore much of the staff parking would have to be located off-site. The costs for this off-site parking was not included in the overall cost estimate.

Some key assumptions that come from this study, adopted in this analysis, are: (1) Town Hall size requirements, and (2) on-site parking assumptions:

- New Town Hall will be approximately 20,000 square feet in all scenarios
- If a new library is included in the development, it is assumed to occupy 10,000 square feet
 - The Vancouver Island Regional Library would add \$3.5 million of equity to the development if it was part of the project.

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- Onsite parking would be limited to the minimum number of stalls required for visitors. All staff parking is assumed to be located off-site to reduce development costs.
 - In the financial analyses, 7 on-site parking stalls are assumed for Town Hall, with another 26 parking stalls for staff to be located off-site
 - For the library, 14 parking stalls are assumed for visitors to be located on-site. All library staff parking would be located off-site.

All on-site parking stalls are outdoor surface parking stalls, as underground stalls are cost prohibitive.

2.2. ADDITIONAL ASSUMPTIONS

2.2.1. Construction Costs (Hard Costs)

The construction costs used in these analyses are sourced from the 2020 *Altus Construction Cost Guide*. The cost guide estimates that Municipal Office buildings would range between \$295 and \$415 per square foot, for a development in Vancouver. For this analysis we begin with the highest cost of \$415 per square foot (deemed a ‘worst case’ scenario) but have made a downward adjustment of 15% to account for generally lower construction costs on the mid-island compared to Vancouver.

Construction costs for the library are estimated to be between \$320 and \$475 per square foot, with the lower range applicable where a library is located within a shared building. As we anticipate that inclusion of a library as part of a future Town Hall would see that library function incorporated within the Town Hall structure, a cost of \$320 per square foot for the library was assumed in this analysis.

The following table highlights the different construction costs used for various development components considered. It should be noted that only hard costs are included below, and the areas are approximate to those used in the financial analyses.

Table 1: Construction Cost Assumptions

Construction Cost Comparison			
	Cost per sq. ft.	Area (Sq. Ft.)	Total Hard Cost
Town Hall	\$350	20,000	\$7,000,000
Library	\$320	10,000	\$3,200,000
Retail	\$200	3,500	\$700,000
Residential	\$211	40,000	\$8,440,000

Note: Only hard costs included. Does not include soft costs

Surface parking construction costs were assumed to be \$7,000 per stall.

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2.2.2. Borrowing Costs

All scenarios include debt financing to pay for the development of Town Hall, and other components (library, etc.). The borrowing assumptions used include:

- Borrowing interest rate of 2.26%¹
- Amortization period of 35 years

Beyond the goal of building a new Town Hall, the Town of Ladysmith has \$2.2 million of debt servicing as of 2018, and other priorities that should be kept in mind which will also require borrowing.

Additional borrowing may also be required to provide sewer, water and other infrastructure for the Waterfront Area Plan.

3.0 VARIABLES INFLUENCING DEVELOPMENT SCENARIOS

There are a few variables that have been considered in establishing the different scenarios for development:

Inclusion of a New Library

Including a new library in any scenario will add approximately 10,000 square feet to the development, as well as the requirement for 14 parking stalls.

Including a new library would also bring \$3.5 million in equity to the development.

Inclusion of Commercial Space

If commercial space is included, it is assumed that this component would be retained by the Town (i.e. not sold as a strata parcel), and leased at \$20 per square foot.² While different sites are considered for Town Hall development, commercial lease rates are held constant across scenarios. This assumes that a location adjacent to / embedded within a Town Hall (and potentially a library), would be attractive for a coffee shop, a small restaurant, or other personal / professional service providers. It is assumed that commercial space would add approximately 3,500 square feet to the development.

Inclusion of Residential space for Rent

It was assumed that any residential space added to a Town Hall development would be comprised of units for rent (versus condominium units for sale). It was considered that strata residential units above Town Hall could create a number of conflicts between the Town of Ladysmith and the strata unit owners, so strata units were not included as a potential scenario.

While rental units would not provide an immediate financial benefit to the project (i.e. they do not generate an up-front infusion of equity), rental residential units would generate annual cashflow, supporting mortgage payments. Alternately, these units could be sold to an

¹ Municipal Finance Authority, long term lending rate

² Note that an alternate scenario, not tested in this analysis, would see the Town sell strata parcels within the new development.

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investor / operator, who would own and operate the units long-term. This is likely not the ideal scenario, as the Town would not retain control over a component of the project.

Sale of Existing Town Hall site

The existing Town Hall site could be sold to help provide equity to pay for the development of a new Town Hall. Residual valuations for this site were prepared assuming it were re-zoned prior to sale to allow for a 4-storey residential development, with no requirements for affordable housing units, and assuming that all units were sold as condos at market rates. Current zoning is C-2. By re-zoning prior to sale, the Town would be able to capture more value.

An FSR of 3.0 was assumed for the site under new zoning, which entails a total buildable area of approximately 30,000 square feet. This size of building could house 22 apartment units averaging close to 1,200 square feet in size. It was assumed the units would sell for \$415 per square foot. The construction cost estimate used has a significant impact on land value. The estimate used (\$211 per square foot), assumes some structured parking, which reduces land value. The residual value of the site, given these assumptions, is close to \$335,000. The land is currently assessed at \$235,000. If we were to assume 100% surface parking, the residual land value would climb to over \$1 million.

Unit sale prices are based on research conducted in the early part of 2020, and do not account for potential market implications from COVID-19. The pace of real estate sales has been negatively affected by the pandemic. Significant job losses and other economic headwinds are likely to lead to lower unit prices in the near-term, which would in turn reduce the price that a prospective developer would be willing to pay for a development site.

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Sale of Town-owned Buller Street site

The Town-owned Buller Street site could be sold to provide equity for the development of a new Town Hall. The residual valuation of the Buller site assumes zoning for a 4-storey residential development, with no requirements for affordable housing units.

An FSR of 3.0 was assumed for the site, which results in a total buildable area of approximately 86,000 square feet. This size of building could house 63 apartment units averaging close to 1,200 square feet. It was assumed the units would sell for \$415 per square foot. The construction cost estimate used has a significant impact on land value.

The estimate used, \$211 per square foot, assumes some structured parking, which reduces land value. The residual value of the Buller site, given these assumptions, was close to \$1.2 million. The assessed value of the land, not including improvements, of the Buller site is \$706,000.

As with the Town Hall site, unit sale prices are based on research conducted pre-COVID-19. Uncertainty around unit price demand and absorption would likely lead to lower land prices for a prospective buyer today.

Developing on the Town-owned Works Yard or in the Machine Shop Building

The other options are to (a) develop atop the Works Yard building, or (b) build Town Hall within the Machine Shop Building in the Waterfront Plan Area. Developing on either site may introduce the following complexities:

- Speaking with developers, it was suggested that adding a single floor to an existing building (as contemplated at the Works Yard) is not commonly done. It was suggested that most developers would typically choose to demolish the existing building and start from scratch.
- Also, estimating the costs of developing Town Hall within the Machine Shop building was difficult without having an experienced developer or cost consultant visit the building with engineers. Developers that were interviewed suggested that developing within similar heritage building shells often created construction costs that were similar to a new build.

Both scenarios were considered with similar parking assumptions, where only a minimum of parking stalls were included on-site and in the cost assumptions. The original parking assumption does leave the question of where the balance of staff would park. It is possible that either the Works Yard or Machine Shop scenarios may be better able to address the question of where staff will park, through provision of surface parking on nearby lands.

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4.0 TOWN HALL DEVELOPMENT SCENARIOS – DEVELOPING ON BULLER SITE

Different combinations of the variables discussed in section 3.0 produced a variety of scenarios that are summarized below. For each financial scenario, the key variable to note is the size of the annual debt payment that would need to be serviced.

4.1. DEVELOPING TOWN HALL ON BULLER SITE – NO ANCILLARY USES

No Equity (100% Financing)

The first scenario considers the development of only Town Hall on the Buller site. This scenario assumes a building of approximately 20,000 square feet, housing only Town Hall functions.

Key findings:

- Construction costs: \$8.6 million (assuming \$350 per square foot construction costs and including financing costs)
 - This includes 7 surface parking stalls as per the Process Four report.
- Equity: assumes \$0 in equity available
- Annual Payment: approximately **\$350,000**

Selling Current Town Hall site (Equity Transfer)

This scenario assumes that the current Town Hall site is sold, at highest-and-best-use, with equity used to help pay for the development of a new Town Hall on Buller site. All costs assumptions are the same as above.

Under this scenario, the annual mortgage payments would be reduced to approximately **\$330,000**.³

COVID-19 uncertainty will almost certainly reduce the price that the current Town Hall site would sell for, thus reducing equity and increasing debt. The Town would likely be in a better position to postpone sale of this asset until such time as economic growth returns and there is stability in the market.

4.2. DEVELOPING TOWN HALL WITH LIBRARY ON BULLER SITE

The second scenario looks at including the library within the new Town Hall development on Buller Street. Including the library adds 10,000 square feet of built space (at a lower per square foot cost) as well as \$3.5 million in equity contribution.

This scenario also assumes that the current Town Hall site would be sold to help fund the project, with assumptions as previously outlined.

Key findings:

³ Note that if development costs for a new condominium building at the Buller Street site are reduced (e.g. through provision of all parking at-grade), the residual land value would be considerably higher, with a resultant additional infusion of equity (and thus lower mortgage payment) for the new Town Hall.

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- Construction costs: \$12.5 million assuming \$350 per square foot construction costs for Town Hall and \$320 per square foot for the Library component of the building. This includes financing costs.
 - This cost estimate includes 7 surface parking stalls for Town Hall and an additional 14 surface parking stalls for the Library, as per the Process Four report.
- If it was assumed that \$3.75 million in equity was invested in the development, including \$335,000 from the sale of the Town Hall site, and \$3.5 million from the Library, the \$12.5 million in capital costs would require an annual mortgage payment of approximately **\$350,000**.

4.3. DEVELOPING TOWN HALL WITH LIBRARY AND RETAIL ON BULLER SITE

This scenario looks at adding a small retail component to the development of a new Town Hall with the Library. A Town Hall and Library project would attract many visitors, so the retail space in the project would likely be sought after. In this scenario 3,500 square feet for retail space was added. It is assumed that retail space could command a lease rate of \$20 per square foot. Further, it is assumed the Town would retain ownership of the retail space and the revenue would be direct towards debt payment.

This scenario also assumes that the current Town Hall site would be sold to help fund the project, under terms previously outlined.

Key findings:

- Construction costs: \$13.7 million assuming \$350 per square foot construction costs for Town Hall and \$320 per square foot for the Library component of the building and \$250 per square foot for the retail space. This includes financing costs.
 - This cost estimate includes 7 surface parking stalls for Town Hall and 14 surface parking stalls for the Library, as per the Process Four report. An additional 10 parking stalls were added to accommodate clients of the retail businesses.
- If it was assumed that \$3.75 million in equity was invested in the development, including \$335,000 from the sale of the Town Hall site, and \$3.5 million from the Library, the \$13.7 million in capital costs would require an annual mortgage payment of approximately **\$400,000**.
- The retail space would generate an average annual revenue of \$70,000 over the 35-year life of the mortgage, which would reduce the average mortgage payment to **\$330,000** per year.

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4.4. DEVELOPING TOWN HALL WITH LIBRARY, RETAIL AND RENTAL RESIDENTIAL ON BULLER SITE

This scenario looks at building a four-storey building on the Buller site, with the top two storeys comprising rental residential units. An FSR of 3.0 was assumed, which would allow for 40 residential units averaging 1,000 square feet per unit. The average 1,000 square foot unit was assumed to rent for \$1,500 per month, or a \$1.50 per square foot. Similar rates were found for newer units in Ladysmith online.

Similar to the retail space, it is assumed the Town would retain ownership of the residential space and the revenue would be used to help pay the mortgage.

This scenario also assumes that the current Town Hall site would be sold to help fund the project.

Key findings:

- **Construction costs:** \$29.5 million assuming similar construction costs as the previous scenario, as well as, \$211 per square foot for the residential space. This includes financing costs and the assumption of structured / semi-underground parking stalls on the sloping site.
 - This cost estimate includes 7 parking stalls for Town Hall, 14 parking stalls for the Library, 10 for retail space, and 50 stalls for the residential tenants. Reducing the parking ratio for the residential spaces will cut costs and likely simplify the development design.
- \$3.8 million in equity is assumed, including \$335,000 from the sale of the Town Hall site, and \$3.5 million from the Library, the \$29.5 million in capital costs would require an annual mortgage payment of approximately **\$1 million**.
- The retail space would generate an average annual revenue of \$70,000 over the 35-year life of the mortgage, while the residential units would generate an average annual revenue of approximately \$800,000. These sources of revenue would reduce the average mortgage payment to **\$200,000** per year.

Adding both retail and residential to the development brings the annual mortgage payment to the lowest rate compared to all other scenarios considered, but this larger development also includes the highest capital costs and the most risk.

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5.0 DEVELOPING ON WORKS YARD / IN MACHINE SHOP

The options of developing on the Works Yard site or within the existing Machine Shop building are both intriguing options, mostly because both options permit the sale of the Buller site to allow for that equity to be invested in the development.

Note again that we do not recommend pursuing sale of the Buller Street site at this time, given COVID-19 related market uncertainty and the likely discount that would be commanded by any prospective buyer.

There is also the potential that developing on the Works Yard or within the Machine Shop will reduce construction costs; however, both these scenarios present important unknowns. For this reason, developing on both sites assume the construction costs associated with a new build.

Regarding the Works Yard, developers interviewed suggested it is unusual to build additional storeys on an existing one storey building. There would be significant unknowns regarding the structure of the existing building that developers would typically prefer to demolish the existing building and start fresh.

Regarding the Machine Shop, renovating a historic building can present a number of challenges, including rebuilding the foundation and refurbishing the shell of the building. Refurbishing the 'Salt Building' in Vancouver's Olympic Village was a very expensive project, in part because of the costs of rebuilding the foundation. For these reasons, and the unknown quality of the existing building, it was recommended by developers to assume the costs of refurbishing the Machine Shop would be similar to a new build.

Given the above, the Works Yard and Machine Shop scenarios were assumed to have similar construction costs.

Three scenarios for the Works Yard / Machine Shop were considered, including developing only a new Town Hall, a Town Hall with a Library, as well as incorporating retail space in the development. Residential was considered inappropriate for both locations.

5.1. TOWN HALL ONLY ON WORKS YARD / MACHINE SHOP

This scenario considers only a new Town Hall constructed at either the Works Yard or Machine Shop. The construction costs are assumed to be \$8.6 million, including financing costs, the same as scenario 4.1.

The equity assumed in this scenario includes the proceeds from sale of the existing Town Hall site and the Buller site. Taken together, the sale of these properties would raise an estimated \$1.5 million based on residual valuations. Note again that this figure could be increased if construction costs are reduced through elimination of structured parking.

Also note however, that COVID-19 market uncertainty could significantly reduce the valuation of these parcels in the near-term.

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Assuming that \$1.5 million in equity were invested in the development, the \$8.6 million in capital costs would require an annual mortgage payment of approximately **\$290,000**.

5.2. DEVELOPING TOWN HALL WITH LIBRARY ON THE WORKS YARD / MACHINE SHOP

This scenario looks at including the library with the new Town Hall development on either the Works Yard or within the Machine Shop. Including the library adds 10,000 square feet of built space (at a lower per square foot cost) as well as \$3.5 million in equity.

This scenario also assumes that the current Town Hall site and the Buller site would be sold to help fund the project, bringing the total equity available to \$5 million.

Key findings:

- Construction costs: \$12.5 million including financing costs.
 - This cost estimate includes 7 surface parking stalls for Town Hall and an additional 14 surface parking stalls for the Library, as per the Process Four report.
- If \$5 million in equity were invested in the development, the \$12.5 million in capital costs would require an annual mortgage payment of approximately **\$300,000**.

5.3. DEVELOPING TOWN HALL WITH LIBRARY AND RETAIL ON WORKS YARD / MACHINE SHOP

This scenario looks at adding a small retail component to the development of a new Town Hall and the Library either on the Works Yard or within the Machine Shop. This scenario also involves selling both the existing Town Hall site as well as the Buller site.

Key findings:

- Construction costs for this scenario would equal \$13.7 million including financing costs.
 - This cost estimate includes 7 surface parking stalls for Town Hall and 14 surface parking stalls for the Library, as per the Process Four report. An additional 10 parking stalls were added to accommodate clients of the retail businesses.
- If \$5 million in equity were invested in the development, the \$13.7 million in capital costs would require an annual mortgage payment of approximately \$350,000.
- The retail space would generate an average annual revenue of \$70,000 over the 35-year life of the mortgage, which would reduce the average mortgage payment to approximately **\$280,000** per year.

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6.0 SCENARIO COMPARISON

The primary basis for comparing the various scenarios is the required annual mortgage payment. This payment varies based on total capital costs, assumed equity availability, revenue opportunities (e.g. rental residential, commercial), and overall project size.

Table 2 below provides comparative statistics for development, under varying scenarios, at the Buller Street Site.

Table 2: Buller Street Site - Comparative Figures for Town Hall Development Scenarios

Scenario - Develop on Buller Site	Equity Inputs	Construction Cost	Annual Mortgage Payment	Average Annual Revenue (over 35 years)	Effective Annual Mortgage Payment
Town Hall *	\$0	\$8,440,000	-\$350,000	\$0	-\$350,000
Town Hall **	\$340,000	\$8,440,000	-\$330,000	\$0	-\$330,000
Town Hall + Library ***	\$3,840,000	\$12,320,000	-\$350,000	\$0	-\$350,000
Town Hall, Library, Retail	\$3,840,000	\$13,480,000	-\$400,000	\$70,000	-\$330,000
Town Hall, Library, Retail, Residential	\$3,840,000	\$28,330,000	-\$1,010,000	\$810,000	-\$200,000
* No equity					
** Using equity from selling existing Town Hall Site					
*** Using equity from selling existing Town Hall Site & Library investment					

Looking at the scenarios presented above, the project that includes both retail and residential has the opportunity to bring the annual mortgage costs down the most, but as mentioned previously, this scenario also involves the most risk.

Note again that equity inputs would likely be reduced if sale of the current Town Hall site is pursued amidst COVID-19 market uncertainty. This would bring the debt requirement up in all scenarios.

Table 3 presents costs and mortgage payments required for each development scenario on either the Works Yard or within the Machine Shop.

Given the extra equity that is assumed from sale of the Buller site, the effective annual mortgage payment is expected to be lower if developing on the Works Yard or within the Machine Shop.

Achievable sale prices of either or both of the Town Hall and Buller sites will likely be hampered by COVID-19 market uncertainty in the near-term.

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Table 3: Machine Shop or Works Yard – Comparative Figures for Town Hall Development Scenarios

Scenario - Develop in Machine Shop or Works Yard	Equity Inputs	Construction Cost	Annual Mortgage Payment	Average Annual Revenue (over 35 years)	Effective Annual Mortgage Payment
Town Hall *	\$1,510,000	\$8,440,000	-\$290,000	\$0	-\$290,000
Town Hall + Library **	\$5,010,000	\$12,320,000	-\$300,000	\$0	-\$300,000
Town Hall, Library, Retail	\$5,010,000	\$13,480,000	-\$350,000	\$70,000	-\$280,000
* Using equity from selling existing Town Hall site & Buller site					
** Using equity from selling existing Town Hall Site & Buller Site, and Library investment					

However, the ultimate construction costs involved with either of these scenarios remain an unknown. It is possible that developing within the Machine Shop could be less expensive than a new build, in which case the annual mortgage payments would be lower.

- An analysis of the foundation and the structure of the Machine Shop could provide more certainty of the potential costs involved with refurbishing the building.

7.0 DISCUSSION

There are several outstanding questions and considerations that should be taken into account when considering the next steps for the Town Hall development project: What level of risk is the Town of Ladysmith willing to accept with this development?

- Would Ladysmith consider selling the retail or residential components of a new Town Hall mixed-use project as strata parcels?
- Are there means to increase the residual valuation of the Buller Street and current Town Hall site through either decreased construction costs, increased revenues, or both?
- What are the construction costs involved with redeveloping the Machine Shop or potentially adding on to the existing Works Yard building?
- Would the Vancouver Island Regional Library pay rent to help reduce mortgage costs?
- What amount of borrowing is Ladysmith willing or able to accept, particularly given other capital commitments and needs which will require borrowing?

The Town of Ladysmith has several significant projects ongoing, including a priority intent for remediation, servicing, and subsequent lease or sale of development parcels in the Waterfront Area Plan. It also intends to invest in renovation of the Machine Shop. Given these commitments and priorities, there is a rationale to invest in this effort by locating a new Town Hall within the Machine Shop.

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- Significant investments in the Machine Shop will be required before the structural upgrades to the building are complete. It is understood that project costs have increased \$450,000 beyond the budgeted \$1.752 million. It is also understood there have been questions regarding the future uses within the Machine Shop building once renovations are complete. By placing a new Town Hall in the building (along with other users), the Town would be leveraging its investments in this asset.
- Locating City Hall in the Machine Shop would also be a direct investment in catalysing waterfront investment and development. Waterfront development is a clear priority for the Town, and one that will require important decisions around infrastructure investment strategies. If Town Hall (and other uses) were located in a refurbished Machine Shop, this would send a strong message to the market around the Town's priorities and commitment to achieving waterfront development.
- Locating Town Hall in the Machine Shop would bring significant traffic to the waterfront lands and highlight the attractiveness of one of the Town's most important assets. A new Town Hall in the Machine Shop would be expected to bolster the land values of the waterfront lands.

The realities of COVID-19 and its impact on real estate, retail, and tourism should be a consideration regarding the strategy taken to develop a new City Hall in Ladysmith.

Given the uncertainties in the real estate sector, it is likely not prudent to sell developable land in the near-term, particularly in scenarios where the developer would be considering a commercial component. The scenarios considered in the financial modelling include potential equity from sale of the Buller Street and / or existing City Hall site. Sale of these parcels should be postponed until there is a return of market stability.

The analyses presented here are premised on important assumptions, including parking stalls required, construction costs, rental rates, and levels of equity that all have significant impacts on the final cost of the project. Urban Systems will be happy to review all the assumptions used with the Town of Ladysmith to refine our estimates at a future date, as required.

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