

DATE: May 18, 2022
TO: Frank Limshue, Director of Planning and Community Services, District of Lantzville
CC: Shaun Heffernan, Urban Systems
FROM: Justin Barer, Urban Systems
FILE: 4490.0004.01
SUBJECT: Economic Impact / Benefits Analysis for Superior Road Site Development

1.0 INTRODUCTION

The District of Lantzville has retained Urban Systems to prepare an economic impact and benefits analysis associated with rezoning and development of a 25.6-hectare parcel of land along Superior Road. The site is bounded by Superior Road to the south and east, the rail right-of-way and Island Highway in the north, and the First Nation reserve to the west. This report provides an assessment of construction phase and ongoing operational economic benefits that would likely accrue to the District (and environs) if this site were developed as an 'employment node'.

As noted above, the site is comprised of approximately 25.6 hectares (63.2 acres). Net of parks and trail / buffer areas, the developable site area (including areas required for roads and pedestrian networks) is approximately 22.7 hectares (56.1 acres).

This review examines the economic benefits that will accrue to the District of Lantzville from both the construction phase and subsequent ongoing operations once this project has reached buildout. Specific metrics examined include:

- Jobs
- Wages
- Value-added to the broader economy
- Overall economic output
- Municipal fees and charges
- Ongoing property taxes

This memorandum is structured as follows:

- Section 2 – Development concept and costs
- Section 3 – Market Commentary
- Section 4 – Economic impact of construction phase
- Section 5 – Ongoing Economic Benefits
- Section 6 – Fiscal impacts
- Section 7 – Conclusions

2.0 DEVELOPMENT CONCEPT AND COSTS

The proposed development concept for the site is still in an early exploratory phase. For this analysis, the assumed development concept at build-out is based upon best available information per conversations with both municipal staff and the development proponent, plus reasonable assumptions based on similar development typologies elsewhere. Core assumptions are as follows:

- Development concept will consist of large format retail (i.e., big box), ancillary commercial retail units (CRUs) and some pad retail, plus light industrial-type land uses (e.g., warehousing, distribution).
- Build-out will occur in three phases and may occur over a 5-10-year period.
- Based on typical building footprints and parking ratio requirements, we assume an overall site coverage of 35%, yielding a gross building area (GBA) of approximately 755,000 square feet. This would be broken out by phase as follows:

Table 1: Development Concept Assumptions

Phase	Components	Gross Buildable Area, sq.ft.	Parking stalls*
1	Large format retail anchor and ancillary pad / strip retail Surface parking area	200,000	900
2	Secondary large format anchor(s) – potentially 'junior box' stores Additional ancillary strip / pad retail Warehouse-type industrial use Surface parking	300,000	750
3.	Spec and built-to-suite light industrial spaces including warehouse / storage-type uses Additional 'junior-box' style retail. Surface parking	255,000	328
TOTAL		755,000	1,978

*Parking ratio assumptions: 4.5 stalls per 1,000 square feet for all retail uses (approx. 1 per 20 square metres); 0.5 stalls per 1,000 square feet of light industrial warehouse use (approx. 1 per 200 square metres).

Initial infrastructure costing for the project has been completed. For the combined on and off-site works, including sewers, waterworks, roads / curbs / walks, lighting, trees / landscaping, cable, gas, and all associated engineering costs, the total cost estimate is approximately \$21.86 million (excluding applicable taxes). This breaks out as follows:

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Table 2: Infrastructure Capital Cost Assumptions

Component	Infrastructure Construction Costs*	Engineering Costs**	Totals
On-Site Works	\$10.04m	\$803,423	\$10.85m
Off-Site Road Upgrades	\$5.32m	\$425,254	\$5.74m
Off-Site Watermain	\$3.31m	\$265,045	\$3.58m
Off-Site Sanitary Sewer	\$1.57m	\$125,434	\$1.69m
TOTALS	\$20.24m	\$1.62m	\$21.86m

*includes 25% contingency allowance

**10% of construction costs, excluding contingency allowance

Source: District of Lantzville

Hard costs for construction of the retail and industrial space (and associated surface parking / loading areas) have been estimated using both the 2022 Altus Cost Guide and interviews with 2 developers. To these we add a 15% allowance for soft costs.

Table 3: Development Hard Cost Assumptions

Component	Construction Hard Costs
Large format (big box) retail	\$110 per sq.ft.
CRU / Pad Retail	\$130 per sq.ft.
Warehouse / light industrial space	\$105 per sq.ft.
Surface parking area	\$7,000 per stall

Sources: Canadian Cost Guide 2022, Altus.; select developer interviews.

Overall construction costs for each phase are as follows, excluding infrastructure and engineering:

Table 4: Overall Construction Cost Assumptions

Phase	Components	Hard Costs	Soft Costs	Total Costs
1	Big Box and CRU retail	\$29.3m	\$4.39m	\$33.7m
2	Big Box + CRU retail + light industrial	\$38.1m	\$5.72	\$25.1m
3	CRU retail (medium format) + employment uses	\$29.3m	\$4.4m	\$33.7m
	TOTALS	\$82.9	\$13.8	\$111.2m

The combined costs of construction and up-front infrastructure

3.0 MARKET COMMENTARY

While a market opportunities review is beyond the scope of this assignment, interviews were conducted with select brokers familiar with the greater Nanaimo market to examine (at a very high level): (1) overall market support for the proposed retail and warehouse / light industrial concept, and (2) potential realistic timeframe for project market absorption. Following are highlights from these conversations.

- Overall, interviewees had a positive sentiment toward a mixed retail / light industrial development at the subject site, noting its good visibility and access potential, plus its good location within a regional context.
- A phasing of construction and absorption over a 5-year timeframe was seen as appropriate.
- The retail sector in the north Nanaimo area is performing better than expected right now and has rebounded well after a significant drop-off in 2020.
- Attracting at least one, and ideally two strong retail anchor tenants will be critical to overall project success at the subject location.
 - The subject site is approximately a 7–8-minute drive from the major retail agglomeration at the north end of Nanaimo, located between the Island Highway and Nanaimo Parkway immediately north and south of Aulds Road. This agglomeration includes the largest enclosed shopping mall on Vancouver Island (Woodgrove Centre), and major large format, junior box and department store tenants including Walmart, Costco, Home Depot, Superstore, Staples, Cabela’s Michaels PetSmart, Winners & Homesense, Sport Chek, Hudson’s Bay, and The Brick.
 - The Woodgrove Centre agglomeration draw customers from a sizeable trade area, with some tenants (e.g., Costco) drawing people from points north up as far as Campbell River. The agglomeration primarily serves the greater Nanaimo area, the majority of which resides south of this location.
 - Given the drawing power of this north Nanaimo retail destination and its location vis-à-vis Lantzville and the bulk of the Nanaimo population base, the success of retail commercial businesses at the Superior Road site will be predicated on:
 - Intercepting shoppers that would otherwise be southbound to retailers in north Nanaimo
 - Giving shoppers in the greater Nanaimo region reason enough to drive north past this agglomeration to shop in Lantzville.
 - Given the above, a large retail anchor for the Superior Road site will have to be either:
 - A tenant that is looking to relocate north from Nanaimo to achieve a goal or solve a problem that it cannot achieve at its current location (e.g., more floor area, more parking, better layout, lease rates, other leasing considerations); or
 - A new-to-market tenant that can serve the greater Nanaimo region from Lantzville.
 - Conversations with brokers suggest that there are likely to be tenants that fall into one or both above categories.

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- With high (and rising) costs of construction, it is likely that new retail space will be too expensive for local businesses; CRU / pad retail space will need to be filled by national tenants who can afford the rents. Further, national tenant covenants will likely be critical for obtaining construction financing.
 - Rents for new CRU retail space will likely need to be in the \$35 per square foot range to make the project work.
- There is strong demand for light industrial warehouse space in the Nanaimo area.
- Industrial buildings should be built to include some with dock loading, as this will appeal to the logistics sector that is seeking appropriately sized spaces with highway access and visibility.
- The transportation / logistics / warehousing sector would likely be able to absorb 200,000-400,000 square feet within a 5–8-year timeframe. There is demand for multiple unit size ranges:
 - 1-5,000 square foot bays
 - 5,000-25,000 square foot bays
 - 25,000-100,000+ square feet (larger tenants may look for built-to-suit space).

4.0 ECONOMIC IMPACT ANALYSIS – CONSTRUCTION PHASE

4.1 OVERVIEW

There are two main sources of economic impact for the Superior Road development:

1. The construction phase, both infrastructure and buildings. This includes the direct economic impacts on the industries associated with design and construction, along with the indirect and induced effects associated with building the project (the multiplier effect); AND,
2. The ongoing economic benefits associated with the completed project – a retail and light industrial node that offers both commercial and employment opportunities and a sizeable tax base.

The economic impact of the construction project will be a shorter-term impact, whereas the impact of the completed project will generate economic activity and municipal revenues in perpetuity.

The Multiplier Effect

Captures the secondary effects from the interconnection between various local economic sectors:

1. **Indirect effects** → measures economic impact on various industry suppliers of local goods and services.
2. **Induced effects** → measures impact of changes in household spending.

Measurement of the direct, indirect and induce effects from the construction phase are prepared using Statistics Canada’s economic multipliers. Information on the scope of the project was provided to Urban Systems by the District of Lantzville. This includes approximate land use mix and scale, alongside infrastructure costs.

The conceptual approach to the application of economic impact multipliers is noted in the boxes below and on the following page. Equation #1 shows how we calculate total economic impact for a construction project. Equation #2 shows the components of the ‘economic output’ calculation. Equation #3 shows the calculation for the overall ‘multiplier effect.’ These calculations are applied primarily for the construction phase analysis, whereas ongoing benefits are parsed out and separately analysed based on our understanding of the scale of the project, the likely end-user types, and the associated ongoing benefits in terms of both property tax revenues to the municipality and employment for local and regional residents.

Equation #1: Total Economic Impact

$$\text{Total Effect} = \text{Direct Effect} + \text{Indirect Effect} + \text{Induced Effect}$$

Within each of these effects, we focus on the impact to employment (jobs) and total output (\$). The total output includes the value of intermediate purchases in other industries, and the value-added by the industry (see below). The value-added includes the labour income associated with employment in the associated industry sectors.

Equation #2: Output Equation

Output = Intermediate Purchases + Value Added

Once the direct, indirect and induced effects are measured, we calculate the multiplier effect (see below). Both the employment and output multipliers are calculated. The multiplier effect describes how many additional units (Dollars or jobs) are created or supported in other industries per each additional dollar (or job) in the construction (and related) industries associated with the Superior Road project.

While the linkages between economic sectors do vary by region, for this analysis we are able to calculate the overall in-province effects.

Equation #3: Multiplier Effect

Multiplier Effect = (Direct + Indirect + Induced) / (Direct)

4.2 CONSTRUCTION PHASE ECONOMIC IMPACT ANALYSIS

The **direct** impacts of the multi-phase buildout at the Superior Road site will include construction and related jobs created or supported by the project, and the labour earnings associated with those jobs. This would include jobs and income tied to construction of buildings and infrastructure, plus all the engineering / design-related work that will precede on-the-ground works.

Indirect impacts of the construction project will include spending by the construction (and related) industries on inputs such as building materials and equipment, which support jobs and earnings in industries that supply inputs. The wages and salaries earned by employees in the relevant industry sectors, and by employees in the industries that supply inputs, are then recirculated in the local economy by spending on local goods and services; this is the **induced** effect. The direct, indirect and induced effects reflect the three components of the economic impact equation.

As discussed, the project will (as currently envisioned) encompass around 755,000 square feet of retail and industrial floor space. The estimated cost to deliver this project, including all up-front infrastructure works, is approximately **\$131.5 million**.

4.2.1 Direct, Indirect, Induced Employment

The table below provides a summary of the employment implications of the construction phases. The estimated number of jobs that are associated with the project's construction are calculated based on the estimated direct costs to develop (infrastructure + construction) and the Statistics Canada jobs multipliers.¹ The latter are derived from labour productivity and related measures by business sector industry, such as average

¹ Statistics Canada. Table 36-10-0113-01 Input-output multipliers, provincial and territorial, summary level.

annual number of hours worked and typical compensation per hour worked. On this basis, we calculate **537 direct jobs** that will be created or supported by the construction project.

In addition, there are indirect and induced jobs tied to the project's construction phase. The **indirect jobs (294)** are the jobs created or supported by the intermediate inputs necessary for the project. The **induced jobs (212)** accounts for those that are created or supported as a result of household spending on local goods and services from the wages and salaries associated with the construction project. **Total jobs (1,044)** are the additional jobs created or supported by the construction phases.

Table 5: Employment Impact of Construction

Multiplier Category	Jobs (person years)
Direct	537
Indirect	294
Induced	212
Total	1,044

Source: Urban Systems calculations using Statistics Canada multipliers (36-10-0113-01).

4.2.2 Labour Income²

The estimated labour income associated with the direct, indirect, and induced jobs is shown in Table 6. The **Total labour income is estimated at approximately \$70.3 million**. Note that this is based on in-province multipliers only, so will not account for income (or jobs) generated through the sourcing of materials outside of British Columbia.

Wages and earnings directly tied to construction-related industries are estimated at nearly \$39.6 million. Local and other BC-based suppliers to the construction industries will see their wages and earnings supported by \$20.1 million. And, because of household spending from the additional wages and earnings, other industries such as retail and service commercial will see their wages and earnings increase by \$10.6 million. Thus, the project will increase jobs and earnings in a variety of industry sectors across the economy.

Table 6: Labour Income Impact of Construction

Multiplier Category	Labour Income (\$)			
	Engineering	Infrastructure	Building Construction	TOTAL
Direct	771,000	4,817,000	34,035,000	39,623,000
Indirect	175,000	3,398,000	16,573,000	20,146,000
Induced	173,000	1,512,000	8,898,000	10,583,000
Total	1,119,000	9,727,000	59,506,000	70,352,000

Calculations using Statistics Canada Table 36-10-0113-01 Input-Output multipliers for non-residential construction, architecture and engineering related services, and transportation engineering construction.

² Wages and salaries + employers' social contributions.

4.2.3 Total Output

The total output metric is the total dollar increase in expenditures in the BC economy, including the direct, indirect, and induced impacts, including purchases of intermediate inputs used to produce the final goods and services. For the construction of this project, total output is calculated as \$134.6 million.

Table 7: Output Impact of Construction

Multiplier Category	Output (\$)
Direct (1)	131,516,000
Indirect	57,835,000
Induced	40,261,000
Total Output (2)	229,612,000

(1) Direct output estimated cost to deliver project, excluding land costs and financing

(2) total output = sum of direct, indirect, induced outputs.

4.2.4 DCCs and CACs

The construction phases of the Superior Road project will yield Development Cost Charge (DCC) revenues for the District of Lantzville, paying for water, sewerage/drainage and highway capital costs. The project may also yield a Community Amenity Contribution (CAC), to be negotiated with the proponent as part of the rezoning application per the procedure outlined in the District’s council-approved CAC document.³ The steps outlined for that negotiated process are as follows:

- Staff will suggest potential amenities to the applicant, based on OCP policies, community need, and project scale
- Proponent will propose CACs based on these staff suggestions and bring that CAC proposal to staff and council for consideration
- Council makes a final determination on whether the proposed contributions are acceptable, and whether further negotiations are warranted
- CACs can either be physically constructed or provide on a cash-in-lieu basis, the latter per square metre of gross floor area.

There is no standardized definition of what may constitute a “community amenity” in provincial legislation. The District’s CAC document provides a list of potential community amenity contributions, alongside a list of items that are explicitly not considered amenity contributions. The latter include items such as major off-site infrastructure (including items that can be captured within a DCC rate), sidewalks, walkways, street trees, streetlights, landscaping, and anything subject to DP guidelines.

The DCC bylaw (Bylaw No. 154, 2018) lays out the following applicable DCC rates:

- Commercial: \$106 per square metre of gross floor area⁴

³ District of Lantzville, *Community Amenity Contributions*, June 15, 2020.

⁴ \$20 for water, \$13 for sewer, \$3 for drainage, \$70 for highway facilities.

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- Industrial: \$101,792 per hectare of gross site area⁵

Based on the development concept outlined in Table 1, this project will yield approximately **\$5.28 million in DCCs**, broken out by phase in Table 8 below.

Table 8: DCCs Payable

Phase	Description	DCC Payable
1	Large format retail anchor and ancillary pad / strip retail Surface parking area	\$1,970,000
2	Secondary large format anchor(s) – potentially 'junior box' stores Additional ancillary strip / pad retail Warehouse-type industrial use Surface parking	\$2,044,000
3	Spec and built-to-suite light industrial spaces including warehouse / storage-type uses Additional 'junior-box' style retail. Surface parking	\$1,268,000
Total		\$5,282,000

Determination of the potential value of a negotiated CAC (built or cash-in-lieu) is beyond the scope of this review; preparation of such a review would require a detailed understanding of community amenity requirements, priorities and cost estimates, and a more detailed description of the proposed development.

If the District were to adopt the City of Nanaimo's recently approved CAC target rates (adopted November 2021), then a rate of \$34 per square metre (\$3.16 per square foot) of gross floor area would be applied. This would translate to a CAC of \$2.38 million.⁶

Table 9: Speculative CACs payable at City of Nanaimo Target Rates

Phase	Speculative CAC*
1	\$631,740
2	\$947,610
3	\$805,469

*Applies \$3.16 per square foot rate, per City of Nanaimo Community Amenity Contribution Policy, 2021-Nov-15.

⁵ 32% for water, 21% for sewer, 23% for drainage, 24% for highway facilities.

⁶ This hypothetical CAC payment is presented for illustrative purposes only and does not constitute a recommendation for the District of Lantzville.

4.2.5 Overall Construction Period Economic Impact

The total output *directly* associated with the construction of the Superior Road commercial / industrial project (i.e., cost to build excluding land and financing) is \$131.5 million. This includes direct support 537 jobs and \$39.6 million in direct labour income.

For suppliers to the construction (infrastructure + building) and engineering industries in BC, their total output is expected to increase by \$57.8 million. For local and other BC retailers and other industries that will see a bump in sales from the additional household income generated by this project, their total output is expected to increase by \$40.3 million.

In total, the Superior Road project will increase total output by \$230 million. This translates to an output multiplier of 1.74.⁷

Table 10: Overall Construction Period Economic Impact

Impact	Jobs	Labour Income	Total Output
Direct	537	\$39,622,000	\$131,516,000
Indirect	294	\$20,146,000	\$57,835,000
Induced	212	\$10,584,000	\$40,261,000
Total	1,044	\$70,352,000	\$222,612,000

Beyond the total output noted above, the project will generate \$5.28 million in DCCs, and a negotiated CAC.

⁷ \$239.6m / \$137.3m

5.0 ONGOING ECONOMIC BENEFITS

The enduring economic impact of the Superior Road commercial / industrial development will be derived from the specific types of space that are built – retail and light industrial – and the types of tenants that are likely to occupy those spaces. Overall, the total project at build-out will likely include:

- Large format (big box) retail of approximately 270,000 square feet
- Smaller format 'junior box' retail of about 100,000 square feet
- CRU / pad retail of approximately 80,000 square feet
- Light industrial (likely warehouse-type space) of approximately 300,000 square feet

5.1 DIRECT EMPLOYMENT AND WAGES

5.1.1 Floor Space per Worker

The amount of employment that is likely to be tied to a given floor area (or land area) will vary depending on the industry sector in question and the nature of each specific business and job. Recent work has been conducted by Hemson Consulting for the City of Vancouver examining broad average 'floor space per worker' metrics and trends. This work was prepared through a compilation of non-residential floor space across the City, building permit data, and custom data sets from Statistics Canada. Based on this work, Hemson derived the following employment densities for the specific land use types being examined in this report:

- Commercial: 428 square feet per worker
- Industrial: 602 square feet per worker

For our purposes, we have further broken out the "commercial" category into CRU / Pad retail vs. big box retail, as the latter typically yields fewer employees. For this analysis we assume that the big box components will yield 1 full-time-equivalent employee per 500 square feet.

5.1.2 Estimated Direct Employment at Completion and Ongoing

Based on the employment density ratios outlined above, each of the project phases is expected to yield the following ongoing direct employment:

Table 11: Superior Road Project Direct Employment at Build-Out

Phase	Components	Direct Employment (FTE)
1	Big Box Retail (150,000 sq.ft.) + CRU Retail (50,000 sq.ft.)	417
2	Big Box Retail (120,000 sq.ft.) + CRUs (30,000 sq.ft.) + light industrial use (150,000 sq.ft.)	560
3	Junior box retail (50,000 sq.ft.) + light industrial (230,000 sq.ft.)	442
	TOTAL	1,419

5.1.3 Direct Wages and Salaries

According to Statistics Canada’s Labour Force Survey, the average hourly wage rates and average weekly hours worked for BC-based full-time employees in sectors that are applicable to the Superior Road site are as follows:

Table 12: Average Wage Rates and Hours Worked for Relevant Industry Sectors Q1 2022

	Retail and Wholesale Trade	Transportation and Warehousing
Average Hourly Wage Rate	\$24.57	\$30.12
Average Weekly Hours Worked	31.1	34.5
Implied Avg. Annual Income per Worker	\$39,735	\$54,035

Source: Statistics Canada Labour Force Survey, per BC Stats.

If the above wage rates are applied to the direct ongoing employment figures noted in Table 12, then the total direct wages associated with the Superior Road project once fully occupied is approximately \$64.8 million per annum.

Future wages associated with the project will be a function of (1) the types of employees contained therein (i.e., industry sector and occupation type), (2) the number of employees (i.e., floor-space-per-worker), and (3) the rate of wage increases. Assuming that there are no changes to the makeup of the employees over time, then the 10-year cumulative earning potential of those directly employed on site is nearly \$650 million. This is a constant dollar projection (i.e., no wage rate adjustments).

5.2 LOCAL EMPLOYMENT OPPORTUNITIES

As of 2016, there were 1,805 residents in Lantzville that were actively participating in the labour force, of whom 1,675 were employed, and 1,165 (69.5%) had a “usual place of work” (vs. working from home or having no fixed workplace).⁸ Amongst those with a usual workplace outside of their homes, approximately 10% (120) worked at jobs located within Lantzville, while the balance (1,045) commuted out of the District, primarily to jobs in Nanaimo.⁹ In addition, there were 275 inbound commuters to usual places of work inside Lantzville, primarily from Nanaimo.¹⁰

Overall, there were 395 people with a usual place of work within the District, 70% of whom commute into the community.

⁸ Statistics Canada. 2017. *Lantzville, DM (CSD) Census Profile*. 2016 Census. Statistics Canada Catalogue no. 98-316-X2016001. Released November 29, 2017.

⁹ Statistics Canada, 2016 Census of Population, Catalogue no. 98-400-X2016391.

¹⁰ *Ibid.*

Table 13: Jobs with Usual Place of Work in Lantzville, 2016

Labour Force or Commuter Flow Variable	Quantum
Lantzville Residents with Usual Place of Work (POW)	1,165
Lantzville Residents with a Usual POW <i>within Lantzville</i>	120
Outbound Commuters from Lantzville	1,045
Inbound Commuters to Lantzville	275
Total Usual POW in Lantzville	395
Outbound vs. Inbound Commuter Ratio	3.8
Inbound commuters as % of Total Usual POW jobs in Lantzville	70%
Usual POW jobs – to – residents ratio	0.11

Source: Statistics Canada, Analysis by Urban Systems.

The Superior Road project will significantly increase the opportunity for employment within the District.

As noted in Table 12 above, the combination of retail and warehouse-type industrial space will provide opportunity for 1,419 direct FTE jobs in the District. This is a 359% increase in the number of ‘usual place of work’ jobs over the 2016 figure. While most of those jobs are likely to be filled by inbound commuters, some of those jobs would be filled by District residents (current and future).

Table 14: Usual Place of Work Jobs in Lantzville, 2016 vs. Projected

Total Labour Force with Usual Place of Work in Lantzville, 2016 (residents + inbound commuters)	395
Estimated Jobs at Superior Road site	1,419
Total Usual Place of Work Jobs in Lantzville (vs. 2016)	1,814
Increase in Jobs vs. 2016	359%

6.0 FISCAL IMPACTS

Here we focus on the economic impact benefits that will accrue to the District of Lantzville alongside the Regional District, Hospital District and regional Library system, following completion of this project.

6.1 INCOME VALUATION

Fiscal impacts are calculated based on the hypothetical value of each of the completed project components. For this exercise, a series of simple, hypothetical valuations have been prepared which look at the projected value of each project component based on a capitalized future income stream. Assumptions driving these valuations are as follows:

- Land lease rates for big box retail: \$2.00 per lot square foot (assume 25% lot coverage)
- Building lease for CRU retail: \$25-\$30 per leasable square foot
- Vacancy allowance (CRU and industrial): 5%
- Non-recoverable expenses: 2% of gross income
- Cap rates: 5.0% for commercial, 5.5% for industrial

The vacant land parcels which make up the subject site have a combined assessed value of \$5,617,000 in 2022.¹¹ Their current zoning is “F-SAP” (Future Special Area Plan Zone), which permits as-of-right residential uses (house, carriage house, home business, suite). Based on current property tax rates and assessed values, the combined land parcels would generate \$15,043 in combined property taxes.¹²

The valuations of the completed project components, used as the basis for future tax calculations, are as follows:

Table 15: Hypothetical Valuations of Project Components

Component	Phases	Timing	Implied Values	Applicable Property Tax Mill Rates*
Big Box Stores (x2)	Phases 1 and 2	Years 1 and 3	\$47.1m	8.9851
CRU / Junior Box retail spaces	Phases 1,2, 3	Years 1, 3, 5	\$69.05m	8.9851
Light Industrial spaces	Phases 1 and 3	Years 1 and 5	\$88.6m	15.8174
Total			\$204.7m	

*As per District of Lantzville Bylaw No. 269. Combined Mill Rate

¹¹ BC Assessment 2022 assessed value.

¹² Mill rate of 2.6781, combining General Municipal, Library, Regional District, and Regional Hospital.

6.2 PROPERTY TAX PROJECTIONS

Projected property taxes payable for the completed Superior Road development are calculated using the following mill rates, per bylaw 269:

Table 16: 2021 District of Lantzville Tax Rates

Property Class	General Municipal	Library	Regional District	Hospital	Total
Residential	1.7081	0.1565	0.6017	0.2118	2.6781
Light Industry	11.9561	1.0952	2.0458	0.7203	15.8174
Business / Other	6.4052	0.5867	1.4742	0.519	8.9851

Source: District of Lantzville Bylaw No. 269.

Applying the above mill rates to each completed project phase yields the following property taxes payable.

Table 17: Estimated Property Taxes Payable, by Phase

Phase	Est. Property Tax Payable at Completion*
1. Big Box + CRUs	\$479,600
2. Big Box + CRUs, + Light Industrial	\$957,700
3. CRUs + light industrial	\$1,007,000

*Applies 2021 mill rates to 2021 hypothetical values.

Following is a property tax projection over a 10-year period assuming a 6-year build-out of the project. This projection assumes that the combination of year-to-year changes in assessed values and mill rates results in a 1% per year increase to the overall property tax amount payable.

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Table 18: Property Tax Projections, Superior Road Site, 10 Years

End of Year	Phases Completed	Annual Property Tax Revenues (rounded)	Cumulative Property Tax Revenues (rounded)
0 (final full year before project commencement)	None	\$15,000*	\$15,000
1	75% phase 1	\$216,000	\$231,000
2	100% phase 1	\$485,000	\$715,000
3	100% phase 1, 50% phase 2	\$1,081,000	\$1,312,000
4	100% phases 1 and 2	\$1,460,000	\$2,770,000
5	100% phases 1 and 2, 50% of phase 3	\$1,670,000	\$4,440,000
6	All phase complete	\$2,496,000	\$6,936,110
7	Complete	\$2,521,000	\$9,457,000
8	Complete	\$2,546,000	\$12,003,000
9	Complete	\$2,571,000	\$14,575,000
10	Complete	\$2,597,000	\$17,173,000

*Based on current assessed values and a residential property tax mill rate of 2.6781

Table 20 below provides an apportioned breakdown of projected property tax revenues. The 'general municipal' revenue is projected at ~ \$1.9 million at build-out (with the applied 1% per year increase), and a 10-year cumulative general tax revenue of \$12.97 million.

Table 19: Annual Property Tax Projections, Superior Road Site, by Tax Category

End of Year	General	Library	Regional District	Hospital
0 (pre-construction)	\$9,600	\$900	\$3,400	\$1,200
1	\$153,700	\$14,100	\$35,400	\$12,500
2	\$345,300	\$31,600	\$79,500	\$28,000
3	\$796,300	\$72,900	\$156,800	\$55,200
4	\$1,064,900	\$97,500	\$218,400	\$76,900
5	\$1,216,700	\$111,400	\$253,100	\$89,100
6	\$1,840,400	\$168,600	\$360,300	\$126,800
7	\$1,858,800	\$170,300	\$363,900	\$128,100
8	\$1,877,400	\$172,000	\$367,500	\$129,400
9	\$1,896,200	\$173,700	\$371,200	\$130,700
10	\$1,915,200	\$175,400	\$374,900	\$132,000

URBAN SYSTEMS MEMORANDUM

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SUBJECT: Economic Impact / Benefits Analysis for Superior Road Site Development

If we extend the tax projections out another 10 years, then the projected **20-year cumulative general tax revenue is approximately \$33.2 million.**

As of 2022, 97.3% of the District's total property tax base was in the residential property class, accounting for 85.5% of total property tax revenue.¹³ Total accrued property tax revenues in 2022 across all property classes are just under \$3.3 million, with ~\$2.8 million drawn from residential properties and a ~\$480,000 draw from all other classes. The total property taxes accrued from the "Light Industry" and "Business and Other" categories was just over \$290,000.¹⁴ The District has an asset management funding gap of \$424,000 per year, as identified in the Strategic Asset Management Plan (SAMP). This issue compounds each year.

With the light industrial and commercial property tax rates far exceeding those for residential (7x and 3.7x more, respectively, in the General Municipal category), the Superior Road development will bring considerable additional tax revenue and a reduction in the proportion of overall property taxes drawn from the residential property class. At build-out, the combined industrial and commercial property taxes from the Superior Road property are expected to be over \$1.9 million if the final development is of the scale and typologies outlined in Table 1. This would represent a 550% increase in the amount of property taxes accrued from the combined "Business and Other + Light Industry" property classes.

¹³ District of Lantzville 2022-2026 Financial Plan Bylaw No. 289, 2021.

¹⁴ Based on reported % of 2022 property tax revenue by property class, per Report to Chief Administrative Officer on Bylaw No. 289, November 24, 2021.

7.0 CONCLUSION

The proposed rezoning of the 25.6-hectare parcel of land along Superior Road for a combination of retail commercial and light industrial uses is expected to bring considerable longer-term economic benefits to the District. Based on the envisioned development concept, the site could be home to 1,419 direct jobs. At build-out, the project is projected to yield over \$1.9 million in annual property tax revenue for the District, and a projected yield of \$33 million over a 20-year period. The addition of this commercial and industrial tax base will significantly reduce the proportion of total taxes drawn from the residential property class and will likely be beneficial in the District's endeavours to bridge the \$400,000+ annual infrastructure funding deficit.

Additionally, both the District and the Province more broadly can expect to see GDP and employment benefits through the construction phase, including 1,044 combined jobs (direct, indirect and induced), over \$70 million in combined labour income, and \$230 million in total economic output.

Following is a brief summary of key metrics:

- 537 direct jobs, 294 indirect jobs, and 212 induced jobs within BC during the construction phase
- Over \$70 million in direct, indirect and induced labour income during construction
- \$5.28 million in DCCs
- Negotiated CACs. If Nanaimo CAC rates are applied, CAC value would be \$2.38 million
- Estimated 1,419 ongoing jobs created on-site once fully built out
- Significant improvement in jobs-to-residents ratio
- Over \$33 million in projected property taxes over a 20-year period

URBAN SYSTEMS



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/JB

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