To: Professor Erika Patterson

From: Ranjit Dhaliwal

Date: October 11, 2019

Subject: Proposal for Determining the Feasibility and Highest and Best Use for Redevelopment of 1510 E Pender St

**Introduction**

1510 E Pender St is a 6-unit walk-up apartment building built in 1967 and is located in the Grandview-Woodland neighbourhood of East Vancouver. It was purchased by the current owners in 2010 for $998,000 with the intent on holding it as a rental property until it was ready for redevelopment. The property is comprised of 57.5 ft by 122 ft lot with a two-storey wood frame structure that consists of 6 individual units (5 – 1Br Suite & 1- 2Br Suite) that the tenants rent on a month-to-month basis. The building also consists of a common area (shared space) laundry and foyer and has 6 on-site surface parking stalls located in the rear of the building.

**Statement of Problem**

Given the age and current condition of the property it was determined that it was nearing the end of its economic life (useful life) and the owners have decided that it is time to redevelop the subject property. Before proceeding with redevelopment, the owners would like to determine what the potential highest and best use of the property would be in an effort to determine the proper course of action. The two alternative redevelopment scenarios are to either construct a new purpose-built rental apartment building or to develop a strata-apartment (for sale) building with individual units that will be sold to new owners.

**Proposed Solution**

In an effort to determine the potential feasibility of either development scenario, a highest and best use (HABU) analysis will have to be performed on the subject property. This analysis will research the potential of either development scenario under governmental, physical and financial constraints along with determining which scenario yields the most productive use to the owner and relevant stakeholders. After the analysis the owner will be able to direct the redevelopment in the proper direction and retain the proper consultants and team members.

**Scope**

To assess the feasibility of either development scenario I will perform a HABU analysis which will analyze each potential use based on its ability to satisfy a 4-part test consisting of:

1. Legally Permissible (Municipal Regulations)

* What is currently allowed to be built on the property according to relevant building and development by-laws and policies?

1. Physically Possible (Land Constraints)

* What can be built on the property given the physical and topographical features of the property?

1. Financially Feasible (Financial Requirements)

* Does the proposed development scenario meet the required financial returns required by the owner, lenders or equity partners?

1. Maximally Productive (Provides the Best Possible Use)

* Does the proposed development scenario satisfy the owner and other stakeholders in regards to providing the most productive use of the property?

Each scenario will be considered by applying the 4-part test sequentially with the end result being the determination of which use provides the owners with the best use of their property.

**Methods**

My primary data sources will include interviews and consultations with the Building and Development Department at the City of Vancouver and the current owners of the subject property. I will also complete a site visit and review in order to determine the topographical features and location and adequacy of public utilities. I will conclude my primary research by consulting with Grover, Elliot & Co. Ltd which is a local appraisal firm that specializes in valuation and feasibility work for commercial properties.

Secondary sources will include reviewing the 3rd Canadian Edition of The Appraisal of Real Estate and various publications containing relevant information about the HABU of commercial properties.

**My Qualifications**

As a graduate of the Diploma in Urban Land Economics Program and a current 4th Year student in the Bachelors of Business in Real Estate Degree Program at UBC I am familiar with the intricate and complex nature of real estate valuation work and feasibility studies. Along with my educational background I also have current and previous work experience in regards to residential construction and current building and development bylaws and policies.

**Conclusion**

Given the substantially expensive cost of real estate combined with the durability and longevity of building improvements it is imperative that a thorough analysis be performed before making such a significant investment decision. In order to ensure project success and to mitigate project risk by performing a rigorous HABU analysis I will be able to determine which use provides the highest degree of utility and benefit and makes the most sense given the various constraints in place. With your approval I will begin the research process.