

REQUESTOR NAME: Creative Energy Vancouver Platforms Inc.
INFORMATION REQUEST ROUND NO: 1
TO: Grover, Elliot & Co. Ltd.
DATE: October 25, 2018
PROJECT NO: 1598962
APPLICATION NAME: Creative Energy Vancouver Platforms Inc.
Application for a CPCN for the Beatty-Expo Plants
and Reorganization

1. Reference: Exhibit A-15, Page 1, Summary.

Mr. Dybvig states: "This report considers the land only, and makes various assumptions in its valuation, as set out herein. The development potential of each of the subject sites is uncertain and will not become clear until a development application is submitted and processed by the City of Vancouver. As such, our analyses, opinions, and conclusions are preliminary; they can be refined once a development application has been processed."

- 1.1 Please confirm or explain otherwise that Mr. Dybvig's valuation for highest and best use (vacant land) assumes a confirmed development density of 11.68 FSR of commercial with some lower retail.
- 1.2 For each of the comparables used by Mr. Dybvig, please indicate which were sold prior to rezoning and which were sold after rezoning (i.e., before or after confirmation of development rights).
- 1.3 Why did Mr. Dybvig make no adjustment in relation to uncertainty of development rights in the current value of the land as of the effective date?
- 1.4 What would be a reasonable discount for land being sold with uncertain development rights (i.e., the acquirer is taking risk in relation to uncertain future development rights)?

2. Reference: Exhibit A-15, Page 2, Summary, Conclusions, Note 1); and page 81, Addenda: Assumptions and Limiting Conditions

Mr. Dybvig states: "The allocation of value between regulated and non-regulated areas reflects the Commission's terms of reference. The value of development rights associated with the redeveloped steam plant density and the residual density available for market development is likely to be different."

- 2.1 Please elaborate on the noted qualification that the value of development rights associated with the redeveloped steam plant density and the residual density available for market development is likely to be different than that estimated in the report. Please specifically discuss how the terms of reference compelled Mr. Dybvig to provide an estimated value that is not the most

probable value of development rights associated with the redeveloped steam plant density and the residual density available for market development.

3. Reference: Exhibit A-15, Page 6, Reliance Documents

Mr. Dybvig indicates that his analysis relies on “various documents regarding Creative Energy Vancouver Platforms Inc. ~ Application... provided by the client [BCUC] and specifically referenced herein.”

3.1 Please provide a complete list of the documents the BCUC provided to Mr. Dybvig that were relied on for the analysis.

4. Reference: Exhibit A-15, Page 13, Assessment and Taxes

Mr. Dybvig shows a total assessed value for 701 Expo Blvd. of \$13,750,000.

4.1 The latest BC Assessment property assessment for 701 Expo Boulevard is attached to this information request. Please reconcile the value for 701 Expo Boulevard shown in Mr. Dybvig’s report with the value assessed by BC Assessment.

5. Reference: Exhibit A-15, Page 19, Soil Conditions

Mr. Dybvig opines on the Limited Environmental Stage 2 Preliminary Site Investigation and concludes: “Our value estimate assumes that no contaminants or hazardous materials exist on, in, or near the property that would cause a loss in value.”

5.1 Please confirm or explain otherwise, with reference to the Addenda: Assumptions and Limiting Conditions to the report, that the above-referenced statement is simply an assumption being made by Mr. Dybvig, and that Mr. Dybvig is not expressing the opinion that in fact no contaminants or hazardous materials exist on, in, or near the property that could cause a loss in value.

5.2 In Mr. Dybvig’s experience as an appraiser, would the Limited Environmental Stage 2 Preliminary Site Investigation be adequate to alleviate any concerns of contamination for a purchaser of a site with past industrial activity and four 50-year-old underground fuel oil storage tanks containing thousands of gallons of fuel? What else might a purchaser require?

5.3 In Mr. Dybvig’s experience as an appraiser, what types of discounts or other conditions of purchase and sale might a purchaser require with respect to land with past (and ongoing) industrial activity and four 50-year-old underground fuel oil tanks containing thousands of gallons of fuel?

6. Reference: Exhibit A-15, Page 45, definition of highest and best use

Mr. Dybvig states that an accepted definition of highest and best use is “*The reasonably probable use of a property, that is physically possible, legally permissible, financially feasible and maximally productive, and that results in the highest value.*”

6.1 Please explain how the physically possible criterion was applied in Mr. Dybvig’s analysis of value assuming steam plant operations are discontinued at the site given that any development of the lands under this scenario would need to exclude and protect the steam distribution headers and piping on the site, provide for steam supply piping to the headers from a new off-site steam plant, and ensure that there is no interruption to steam service to the customers.

6.2 Please explain how the physically possible criterion was applied in Mr. Dybvig’s analysis of value assuming continued use of the site for an operating steam plant with the obligation to provide uninterrupted steam service to the customers.

7. Reference: Exhibit A-15, Page 48, PART THREE – Market Data, Analyses and Conclusions, Highest and Best Use, As Improved

Mr. Dybvig states: “The reported total cost is \$53.1 million including financing, but this includes significant upgrades and might not be the lowest cost method of unlocking the development density at 720 Beatty Street.”

7.1 The Trust and Development Agreement between Creative Energy and the Developer sets out the requirements of Creative Energy with respect to design specifications, operational constraints and risk transfer for the Developer undertaking a project around and over Creative Energy’s steam plant. These requirements constrain the Developer and were negotiated by Creative Energy as the current owner of the land and the public utility with the obligation to serve customers. Please explain whether and if so how Mr. Dybvig assessed and considered the requirements of a public utility, and the cost to a developer of undertaking a development project that must ensure the requirements of the public utility continue to be met during and after the development project?

7.2 In Mr. Dybvig’s opinion do the terms of the Trust and Development Agreement incent the Developer to find the least cost physically possible solution and approach for unlocking surplus development density at both sites within the constraints imposed by the public utility’s requirements? If not, in what ways is the Developer not incented to find the least cost solution?

7.3 It took the Developer approximately 4 years of study and discussion with support from several large architectural and engineering consultancies to come up with its proposed concept to unlock surplus development density while ensuring the requirements of the public utility are met. Did Mr. Dybvig find specific evidence in his review that there are alternative and lower cost methods for unlocking the development density at 720 Beatty Street while satisfying the public utility’s requirements? Does Mr. Dybvig have any reason to question the validity of the proposed solution? Please elaborate.

7.4 Please explain Mr. Dybvig’s understanding of the \$53.1 million figure referred to on page 48 of his report, including the nature of the costs that are included in and not included in the \$53.1 million.

7.5 Please confirm whether Mr. Dybvig reviewed the financing and other constraints on the Developer (covenants in favour of Creative Energy during the development) as set out in the Trust and Development Agreement. Are these normal covenants for a purchaser of land? Do such covenants or constraints exist in any of the comparables considered by Mr. Dybvig?

7.6 The \$53.1 million figure is an estimate based on the current level of design and pre-tender. Under the terms of the Trust and Development Agreement, the Developer will bear the risk that the actual cost of the public utility works exceeds the estimated cost. Does Mr. Dybvig expect a third party would agree to bear such risk and, if so, would the third party reduce the land value by only the magnitude of estimated costs or also include an additional discount for assuming the cost risk? Do such considerations exist in any of the comparables considered by Mr. Dybvig?

8. Reference: Exhibit A-15, Page 71, PART THREE – Market Data, Analyses and Conclusions, Summary Table

8.1 Please discuss in more detail what impact the area of a site and total development size could have on land value. For example, would there be different risks associated with larger sites / developments compared to smaller sites / developments that could affect the relative value of land prior to development?

9. Reference: Exhibit A-15, Page 73, PART THREE – Market Data, Analyses and Conclusions, Time Adjustment

Mr. Dybvig states “The chart suggests that buildable rates are generally increasing as of the effective date, which is the general expectation in the Vancouver market at this time. Over the last several years land values for high-density commercial development sites have been increasing in the Greater Vancouver Area. As such, the rates for the more dated sales require upward adjustment.”

9.1 What is the slope of the regression line in Mr. Dybvig’s analysis (i.e., annual rate of change between May-16 and Oct-18)?

9.2 Holding other determinants of value constant, what upward adjustment in land value did Mr. Dybvig apply for more dated sales?

9.3 Is Mr. Dybvig relying entirely on his regression analysis of 9 properties over approximately 2 years (with an R^2 of 0.0561) to determine an appropriate upward adjustment for dated sales? If not, what other evidence or analysis has Mr. Dybvig relied upon for making an upward adjustment for dated sales?

9.4 Please provide a new version of the table on Page 71 of Mr. Dybvig’s report that includes his upward time adjustment for each of the comparables to bring them all to a common point in time.

9.5 Does Mr. Dybvig expect land values to escalate at the same rate indefinitely? Are there also periods in which land values stagnate or decline? Please discuss trends in commercial land values over the last 20 years, including periods of increase, decline and stagnation.

10. Reference: Exhibit A-15, Page 71, PART THREE – Market Data, Analyses and Conclusions, Summary Table

Mr. Dybvig shows that a site at 400 West Georgia (also on Georgia Street located approximately three blocks from 720 Beatty Street) traded for \$164 per buildable square foot in August 2017.

10.1 Is Mr. Dybvig of the view that the value of the site at 400 West Georgia has gone up approximately 82% in the past year (making it equivalent to his valuation for 720 Beatty Street)? If not, what does Mr. Dybvig consider would be an appropriate inflationary adjustment for 400 West Georgia and what other factors would contribute to a higher value for 720 Beatty (as vacant lot) after an appropriate adjustment for inflation?

10.2 Please elaborate in more detail on the comparability of 720 Beatty Street and 400 West Georgia with specific reference to each of the following factors. For each factor please discuss the likely direction and potential magnitude of the impact on the relative value of these sites. Please highlight any other significant factors that could explain a higher value for 720 Beatty Street compared to 400 West Georgia.

- Proximity to transit
- Proximity to BC Place (and whether that has pros or cons)
- Other encumbrances (egress and ingress rights for BC Place and major public utility infrastructure that cannot be removed from the site)
- Certainty of developments rights
- Size of development
- View cone constraints
- Set back constraints
- Slope of site
- Speed with which site could be developed
- Interim income potential
- Risk of contaminated soils or unknown sub-surface conditions

11. Reference: Exhibit A-15, Page 71, PART THREE – Market Data, Analyses and Conclusions, Summary Table

Mr. Dybvig shows that a site at 1155 West Pender traded for \$220 per buildable square foot in July 2018.

- 11.1 What are the factors that would contribute to a 36% higher value for 720 Beatty Street (as vacant lot) compared to 1155 West Pender?
- 11.2 Please elaborate in more detail on the comparability of 720 Beatty Street and 1155 West Pender with specific reference to each of the following factors. For each factor please discuss the likely direction and potential magnitude of the impact on the relative value of these sites. Please highlight any other significant factors that could explain a higher value for 720 Beatty Street compared to 1155 West Pender.
- Proximity to transit
 - Proximity to BC Place (and whether that has pros or cons)
 - Other encumbrances (egress and ingress rights for BC Place and major utility infrastructure that cannot be removed from the site)
 - Certainty of developments rights
 - Size of development
 - View cone constraints
 - Set back constraints
 - Slope of site
 - Speed with which site could be developed
 - Interim income potential
 - Risk of contaminated soils or unknown sub-surface conditions

12. Reference: Exhibit A-15, Page 71, PART THREE – Market Data, Analyses and Conclusions, Summary Table

Mr. Dybvig shows that a site at 443 Seymour Street traded for \$305 per buildable square foot in July 2018.

- 12.1 What are the factors that would contribute to an approximately 39% spread between the value of 443 Seymour Street and 1155 West Pender, which both sold in the same month of this year.
- 12.2 What would make 720 Beatty Street (as vacant lot) as valuable as 443 Seymour Street?

12.3 Please elaborate in more detail on the comparability of 720 Beatty Street and 443 Seymour Street with specific reference to each of the following factors. For each factor please discuss the likely direction and potential magnitude of the impact on the relative value of these sites. Please highlight any other significant factors that could explain a comparable value for 720 Beatty Street compared to 443 Seymour Street.

- Proximity to transit
- Proximity to BC Place
- Other encumbrances (egress and ingress rights for BC Place and major utility infrastructure that cannot be removed from the site)
- Certainty of developments rights
- Size of development
- View cone constraints
- Set back constraints
- Slope of site
- Speed with which site can be developed
- Interim income potential
- Risk of contaminated soils or unknown sub-surface conditions

13. Reference: Exhibit A-15, Page 76, PART THREE – Market Data, Analyses and Conclusions, Time adjustment

13.1 Please confirm Mr. Dybvig’s proposed valuation of \$300 per buildable square foot for 720 Beatty Street assumes vacant and unencumbered land and makes no formal adjustment for the following factors. If such adjustments have been made, please elaborate.

- Steam infrastructure (e.g., steam main headers) that cannot be removed from the site even if the steam generating plant is removed.
- The cost to demolish and remove the steam plant, and costs associated with acquiring new land and building a brand new plant and interconnection to the steam main headers.

14. Reference: Exhibit A-15, Page 76-77, Valuation - assuming continued use of the site for a steam plant

14.1 Please confirm that in estimating the value of land under continued use of the site for an operating steam plant, Mr. Dybvig has simply reduced the value of land (for the entire site) by the pro-rata share of the above-grade area of the new and upgraded Beatty Plant and new Creative Energy office space.

- 14.2 Given the proposed new and upgraded Beatty Plant will be located entirely within the regulated portion of the lands, please confirm that any adjustment for space occupied by Creative Energy should be to the value of the regulated portion of the lands only. If not, please explain.
- 14.3 Creative Energy does not understand how Mr. Dybvig derived the plant areas shown in a table on page 77 of his report. These areas also do not seem to account for double height spaces. The latest estimated areas of the new and upgraded Beatty Plant premises are shown below, including the substantial area required for flue stacks through the building core. Please update the analysis using these areas.
- L2-L17 Creative Energy Stacks Shaft Footprint of 5,242 sqft total
 - L2 (double height to L1): 6,727 sqft
 - L1: 6,900 sqft
 - P1: 2,691 sqft
 - P2: 1,313 sqft
 - P3: 5,091 sqft (this includes the entire generator/fuel tank storage room which will be shared by Creative Energy and the remainder of the building)
- 14.4 Mr. Dybvig states: “I note that Creative Energy’s existing office space is approximately 2,800 square feet.” The existing office area owned by Creative Energy is 8,600 sqft with the space in excess of Creative Energy’s current needs leased to others. The excess office space is available to Creative Energy for its own use subject to the terms of the existing leases. Please explain what is the significance or relevance of the quoted observation by Mr. Dybvig to his valuation?
- 14.5 Please explain whether Mr. Dybvig’s analysis includes any further adjustments (other than the reduced development rights) based on the following factors, and if not whether Mr. Dybvig (i) is of the view that these factors would not impact the value of the residual land / air rights to a third party, or (ii) was simply unable to assess these impacts due to the terms of reference provided or otherwise.
- A) Cost of new satellite steam plant at BC Place Stadium and interconnection (which is a pre-condition of development of 720 Beatty by the Developer);
 - B) Cost and schedule impacts of deeper excavation required to build around the Beatty Plant footprint;
 - C) Cost of demolishing and removing existing Creative Energy infrastructure (e.g., three industrial-scale boilers, existing flue, existing oil tanks, existing building, etc.);
 - D) Cost of temporary office space provided to Creative Energy throughout construction;
 - E) Cost of developing and outfitting the new Creative Energy office space;
 - F) Risk of cost escalation for all aspects of the utility infrastructure;

- G) Constraints on developer financing (covenants in favour of Creative Energy during the development process);
- H) Indemnities provided by the Developer to Creative Energy in regards to the public utility's obligations to serve steam customers;
- I) Cost of building the new steam plant enclosure and replacing or relocating existing steam infrastructure within and outside the plant as a condition of development (including added vibration control);
- J) Added cost and schedule impacts from building around an operating steam plant (including protection of plant during construction and schedule constraints on shutdowns of plant to allow extension of flues or other infrastructure upgrades);
- K) Cost of building below-grade space occupied by Creative Energy and foregone revenue for the below-ground space (e.g., storage, leased parking revenues, etc.);
- L) Area occupied by the shaft for Creative Energy's flue stacks which run through the building core (5,242 sq ft across all floors);
- M) Possible desirability or leasability of office space over an operating steam plant (e.g., due to vibration, noise); and
- N) Ingress and egress requirements for BC Place Stadium.

15. Reference: Exhibit A-15, Page 46, PART THREE – Market Data, Analyses and Conclusions, Highest and Best Use, Vacant Land

Mr. Dybvig states: "Discussions with the City of Vancouver's Planning Department indicated that they did not support residential uses within the 720 Beatty Street site due to its close proximity to B.C. Place. This advice seems precarious given that a rezoning application was recently approved at 777 Pacific Boulevard, immediately east of B.C. Place, for a mixed-use development with a total of 389 residential dwelling units. However, the development at 777 Pacific Boulevard was evaluated against the policies of the Northeast False Creek Official Development Plan."

- 15.1 On what basis does Mr. Dybvig question the advice the City provided to Creative Energy?
- 15.2 Please confirm that 777 Pacific Boulevard will not have industrial uses comparable to industrial-scale steam generating plant under its residential dwelling units.
- 15.3 Please confirm that the development at 777 Pacific Boulevard is owned by the owner of BC Place Stadium (PavCo).
- 15.4 Is it Mr. Dybvig's opinion that the City would approve residential uses within the 720 Beatty Street site over an operating industrial-scale steam plant?

16. Reference: Exhibit A-15, Page 48, PART THREE – Market Data, Analyses and Conclusions, Highest and Best Use, Vacant Land

Mr. Dybvig states: “The rezoning of the subject sites provides an opportunity to change the fuel source of the Central Steam Plant to a low-carbon energy system to achieve a public objective related to the City’s carbon reduction goals. As of July 8, 2015 City of Vancouver Planning Staff recommended that City Council indicate its willingness to consider a rezoning application for the subject sites and were confident that a proposed development could meet the various policy requirements including those discussed and urban design, noise mitigation and view protection policies.”

- 16.1 Is the first sentence of the statement quoted above Mr. Dybvig’s opinion or is Mr. Dybvig referencing the opinion of the City?
- 16.2 What is Mr. Dybvig’s understanding of the opportunities to change the fuel source for the “Central Steam Plant”?
- 16.3 How would rezoning the sites support an opportunity to change the fuel source of Creative Energy’s existing steam plant?
- 16.4 Please confirm the City staff recommendation from July 8, 2015 is referring to the “Issues Report - Proposed Rezoning – Central Steam Site, 720 Beatty Street” which was prepared by the General Manager of Planning and Development Services and Deputy City Manager for the Standing Committee on City Finance and Services.
- 16.5 Please confirm that the July 8, 2015 City staff report considered whether to approve a rezoning application that included residential uses for this site, and that staff recommended such approval only on the condition of a significant public benefit, which staff further defined as the Creative Energy fuel switch (consisting of a new low carbon plant at another location).
- 16.6 In the process of preparing this report, did Mr. Dybvig review Creative Energy’s feasibility study for a fuel switch or the Long Term Resource Plan submitted by Creative Energy to the BC Utilities Commission last year? If so, please clarify how those reports support a linkage between rezoning and redevelopment of the current site (with or without residential uses) and an opportunity to build a supplemental new low-carbon plant with higher costs than the existing plant.

17. Reference: Exhibit A-15, Page 78, ‘Regulated’ versus ‘Non-Regulated’

Mr. Dybvig states: “The allocation of value between regulated and non-regulated areas reflects the Commission’s terms of reference. As discussed in the preceding section, the value of development rights associated with the redeveloped steam plant density and the residual density available for market development is likely to be different.”

- 17.1 Please elaborate on the statement quoted above. Please confirm that Mr. Dybvig has assumed the development rights (FSR) for 720 Beatty Street would be equally allocated between the regulated and non-regulated portions of the land (adjusted for continued

occupancy by Creative Energy steam plant and offices on the regulated portion). If confirmed, why is this appropriate? What factors could affect those allocations?

18. Reference: Exhibit A-15, Page 79, Exposure Time – Land

Mr. Dybvig states: “Given local market conditions, in my opinion, exposure time for properties such as the subject should lie in the order of four to eight months as at the effective date. This time estimate assumes reasonable pricing and professional marketing. It does not include the time for normal due diligence, nor the closing time after an agreement in principle.”

- 18.1 Please confirm the above-referenced estimate does not include any adjustment for existing occupancy of the site by the Creative Energy steam plant and office or potential ongoing occupancy. In other words, this estimate is for properties that are already vacant and are not encumbered by an operating steam plant.
- 18.2 Since Mr. Dybvig has chosen to focus almost exclusively on a valuation for vacant land with no ongoing encumbrances, please clarify Mr. Dybvig’s assumptions for the time it would take Creative Energy to vacate this site to enable realization of the highest value for vacant land. Has Mr. Dybvig factored into his analysis the time it would take for Creative Energy to find an alternate site; build, interconnect and commission a fully functioning plant on the alternate site; decommission, demolish and remove existing infrastructure (not all of which can be removed) from the existing Beatty site; and to secure BCUC approval for the preceding steps and ultimate disposition? What impact would the time required to complete all of these steps have on Mr. Dybvig’s assessment of the current value for a vacant site?



The information in this report is provided for your information and convenience. If the information has been altered for any reason from the format in which it was originally received verification may be required by BC Assessment. In any case of doubt, the official BC Assessment records shall prevail.

701 EXPO BLVD VANCOUVER

Area-Jurisdiction-Roll: 09-200-026-160-600-26-0000



Total value \$3,638,000

Assessed as of July 1st, 2017

Land	\$3,638,000
Buildings	\$0
Previous year value	\$1,891,000
Land	\$1,891,000
Buildings	\$0

Property information

Year built

Description

Vacant IC&I

Bedrooms

Baths

Carports

Garages

Land size

.576 Acres

First floor area

Second floor area

Basement finish area

Strata area

Building storeys

Gross leasable area

Net leasable area

No. of apartment units

Legal description and parcel ID

Lot 222 Plan LMP12038 District Lot FC Land District 36

PID: 018-500-382

Sales history (last 3 years)

No sales history for the last 3 years

Manufactured home

Width

Length

Total area

Register with BC Assessment



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