

5 Values of Land

Using a Discretionary Planning Application as an investment method to achieve the highest possible return

Determining the REAL value of land requires a thorough understanding of land development potential. From navigating Municipal Planning Strategy (MPS) and local municipal processes to determining what can be built on the property as-of-right, and what is its potential highest and best use through municipal discretionary planning applications. Although these processes carry the most risk, they usually offer the highest return on investment. Below are the five principles in which Sightline assesses real estate development opportunities:

Raw Land

The value of the property or land assembly today as-is refers to the value of any existing building on the property that produces leasing revenues or the potential of the raw land. Often, the value of raw land is calculated per acre, but this rarely reflects its REAL market value. It is not the property's size that matters but the size and shape of the actual developable portion, which excludes setbacks, easements, wetlands/watercourse buffers, and steep slopes. Within this developable portion, how many lots or multiple residential units are created is the key factor in determining the REAL value of raw land.

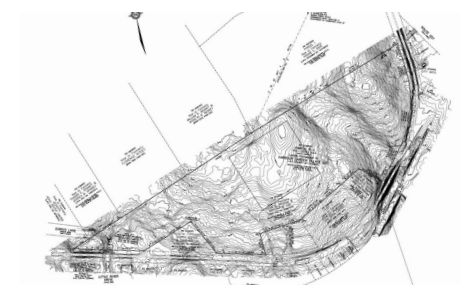


Basic Paper

A property with 'Basic Paper' has higher value if it includes an approved municipal planning process whether as-of-right (i.e. development permit, subdivision application), or a nonguaranteed discretionary planning application such as rezoning, development agreement and its relevant foundational studies.

This entails important basic foundational studies that indicate to what degree the land can be developed. Depending on the property, intended use, or local municipal jurisdiction, the foundational studies may vary or require specialty studies (i.e., pyritic slate review, heritage analysis, groundwater assessment, or archeological investigation). Historically, the following core foundational studies are key in determining the REAL developability of land: Traffic Impact Statement/Study (TIS), Servicing Capacity Study (SCS – sewer/water and septic/drilled well), Wetland/Watercourse Delineation mapping, including the municipal non disturbance buffers and Letter of Planning Opinion (LPO) to determine what can be achieved on the property as of right or through discretionary planning application.

These foundation studies are often undertaken by property owners wishing to determine which municipal process (i.e., as-of-right or discretionary planning application) to develop their land to maximize its potential value. In some instances, in the due diligence/conditions period of an agreement of purchase & sales (APS), foundational studies are completed by the buyer to ensure that the property in question can be developed in the manner they envisioned.



Enhanced Paper

To achieve an 'Enhanced Paper' signifies that the property owner achieved municipal approval to develop the property which significantly increases its value and ability to achieve highest/best use. Enhanced Paper includes an approved municipal development permit, subdivision detailed engineering & design drawings that allow road construction, a successful rezoning or development agreement application. These forms of Enhanced Paper allow the property owner or prospective buyer the necessary municipal approvals to build a large-scale project.

The REAL value of an Enhanced Paper lies in successfully navigating the complex municipal planning process to achieve these approvals and significantly decreasing prospective buyers' risk, which will give them the confidence to move forward and start building promptly.



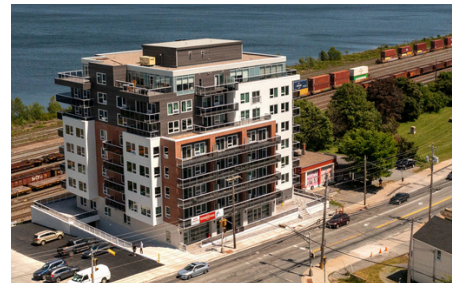
PAD Ready

This is the gold standard for subdivision development. PAD ready is achieved when a road construction company takes the approved Enhanced Paper, which includes the detailed engineering and design drawings, constructs the roads, sidewalks, culverts, and services (water/sewer, septic), and creates lots that allow new construction to proceed. In subdivision developments, new lots are created, and being PAD-ready means the foundation can be poured, and construction can begin. Not all developers are builders; many will get their projects to PAD ready and then sell the property or new lot to a builder. PAD ready offers a higher value than Basic or Enhanced Paper.



Construction Built

A single-family dwelling, semi-detached home, bungalow, townhouse, apartment building, condominium, mixed-use, or commercial plaza has been constructed that creates a sale, rental income, or commercial leasing revenue.



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