

## Huge Opportunities for Real Estate and Resort Development on Aboriginal Lands

On May 16-17, 2002, delegates attending a conference organized by the Native Investment and Trade Association in Vancouver (entitled “Aboriginal Real Estate & Resort Development; Profiting from Land, Recreation & Tourism”) heard first-hand of the enormous opportunities that exist for investors to profitably develop reserve lands.

The first point made was that Aboriginal groups control huge tracts of land in some of the best market locations available. Currently Aboriginal groups in Canada own over **6.5 million** acres of reserve lands and there is over **560 million acres** of land that has or is expected to pass to Aboriginal ownership as treaty claims are settled. With significant Aboriginal baby boom demographics and caps on government transfer payments, Aboriginal governments and landowners are looking to revenues that can be generated from developing their lands to provide for revenue shortfalls. In short, for non-Aboriginal investors, this means a new source of lands in key locations.

While many misconceptions exist about developing reserve lands, the conference delegates learned of the considerable advantages that exist for non-Aboriginals in pursuing development opportunities on First Nation lands. These include:

- Availability of lands in urban centres where new opportunities for new sources of developable lands are scarce to non-existent;
- Availability of some of the most pristine lands in remote areas for resort development;
- The availability of lands that are better located (providing substantial strategic marketing advantages);
- The availability of state-of-the-art, pre-paid, ninety nine year leases which provide complete certainty with respect to financing and marketing;
- The development process on reserve lands is not governed by potentially restrictive municipal zoning and permitting rules (allowing reserve lands to be developed creatively to the highest and best use as dictated by the market and the wishes of the partners);
- If approached strategically, the development permitting and approval process on reserve lands can be negotiated on a much faster basis than a development on fee simple lands in a municipality.
- Enormous tax-planning opportunities exist where it is possible to flow project write-offs through to non-Aboriginal partners (where projects are structured carefully from the outset).

One of the major misconceptions about developing reserve lands stem from the Supreme Court of Canada decision in the highly publicized “Musqueam” lands case. Conference delegates learned that this case, which dealt with very particular wording in a very badly drafted lease document, has no application whatsoever to the new state-of-the-art, ninety nine year leases. In particular, new leases, which have subsequently been developed, create absolute certainty for financiers, marketers, and potential purchasers. Craig Nixon, a legal expert on the development of reserve lands (practicing out of Kamloops) and Co-Chair of the conference commented that:

A paradigm shift has occurred in the developments of First Nation reserve land which may have relegated the Musqueam Case to the dustbin of history. The 99 year prepaid lease means that for the first time, land on the reserve can be bought or sold like lands in the rest of the Province. There need be no fear of a rent review substantially reducing fair

market value. Much of the best undeveloped land in BC is on the reserve. Many First Nations are open for land development. These First Nations have a development approval process that reduces the red tape. This process reduces the time and money required to be invested by the developments up front before the developer will sell the first lot.

In fact conference delegates heard that the value of reserve-based residential developments are not discounted simply because they are based on leased reserve lands. It was revealed that carefully planned reserve-based developments can actually command much higher selling prices than fee simple lands in the same vicinity. George Schurian, President of Sun Rivers Development Corp., indicated that as a result of **location, quality**, and the **certainty** (created by the newly structured ninety nine year pre-paid leases) one unit at Sun Rivers Golf Resort Community in Kamloops sells for a median price of \$225,000, whereas the average sale of fee simple equivalent in the Kamloops area is \$160,000. In fact, the highest value lot sold in the history of Kamloops, sold on leased reserve land at Sun Rivers for \$156,000. Presently in Kamloops, over 50% of the new housing starts above the \$250,000 range, takes place at Sun Rivers.

Construction is well under way at Sun Rivers, with over \$40 million invested in the project to date. An 18 hole Championship golf course has been constructed and over 75 units have already been built and sold (in a 2.5 year period in a very soft of economy). In due course, Sun Rivers will represent a **\$500 million** development, and home to **2000 residences** in ten distinctive neighbourhoods, a spa-hotel, and a village centre. This development is fashioned for buyers looking for upscale homes with spectacular views and great golf in a first class resort community. It has already won numerous awards for the high environmental standards to which it is built and recognition for the environmentally-correct geothermal heating and cooling system. More importantly for the developers, the development is winning real market awards capturing 50 per cent of the lifestyle market segment as opposed to the 20 per cent originally hoped for—exceeding the developers most optimistic forecasts.

Delegates at the conference also heard about the extremely successful higher density development taking place on the lands of the Tseil-waututh First Nation (also known as the Burrard Indian Band). The Tseil-waututh First Nation teamed up with developer Abbey Woods Development Ltd. and currently the high-density residential development has approximately **600** apartment/condo units built with another **400** in the works. There were also presentations on the extremely successful Mount Paul Industrial Park located on the lands of the Kamloops Indian Band (with over 166 businesses located on reserve lands in a serviced area covering over 400 acres). As well, there have been substantial retail developments on Aboriginal lands such as the Park Royal Shopping Centre in West Vancouver, Discovery Harbour Centre in Campbell River (a 385,000 square foot open storefront shopping centre), and enormous commercial real estate developments have taken place on lands of the Westbank First Nation in Kelowna.

On the second day of the conference, Mick Matheusik, Principal of TREC International Inc. and Co-Chair of the conference, reviewed the opportunities for resort development on Aboriginal lands. In particular, attention was focussed on the growing opportunities presented by new demographic trends as the result of an aging baby boom generation—it turns out that the baby boom generation have more sophisticated palettes when it comes to resort experiences and are driving the expansion of the resort industry to provide new cultural, environmental, recreational, and adventure experiences. Beautiful destination resorts have already been built on Aboriginal

lands, such as the Tin Wis Resort at Long Beach (Vancouver Island), and the Quaaout Lodge in Chase, B.C.

In short, huge untapped opportunities are out there for non-Aboriginal developers and investors willing to make a small investment in learning about such opportunities. In times when newly developable lands are scarce to non-existent in urban centres, Aboriginal reserve lands deserve careful scrutiny for those investors and developers looking for healthy returns on their investments.

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