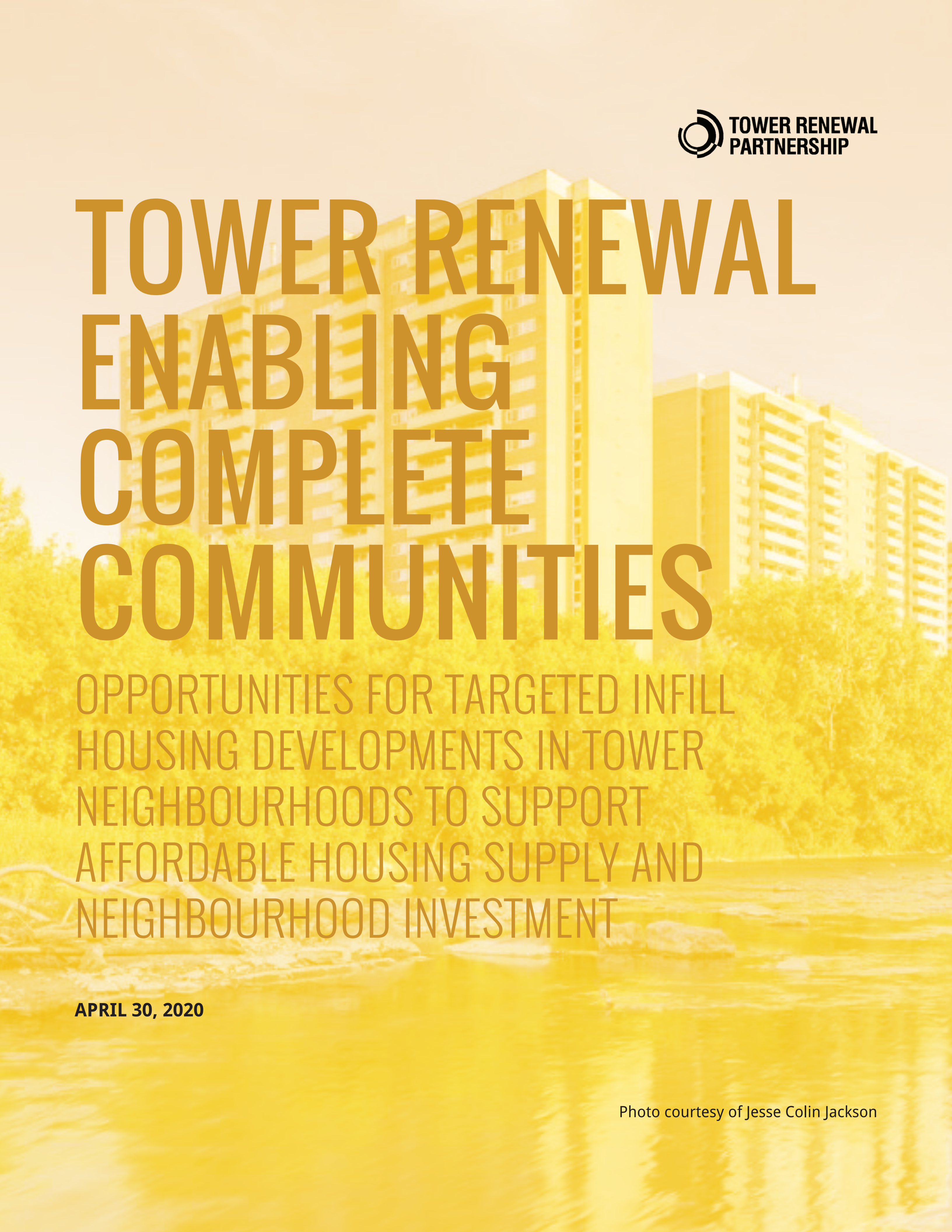

TOWER RENEWAL PARTNERSHIP

TOWER RENEWAL ENABLING COMPLETE COMMUNITIES

OPPORTUNITIES FOR TARGETED INFILL HOUSING DEVELOPMENTS IN TOWER NEIGHBOURHOODS TO SUPPORT AFFORDABLE HOUSING SUPPLY AND NEIGHBOURHOOD INVESTMENT

APRIL 30, 2020

Photo courtesy of Jesse Colin Jackson

TOWER RENEWAL PARTNERSHIP

ABOUT THE CENTRE FOR URBAN GROWTH + RENEWAL

The Centre for Urban Growth and Renewal (CUG+R) is a non-profit research organization founded in 2009 with the mission to engage in cross-disciplinary research initiatives fundamental to achieving livable and sustainable urban, suburban and rural environments. The Tower Renewal Partnership is CUG+R's primary initiative.

ABOUT THE TOWER RENEWAL PARTNERSHIP

Tower Renewal is a model to transform Canada's remarkable stock of postwar apartment towers and their surrounding neighbourhoods into more complete communities, resilient and healthy places, fully integrated into their growing cities. Led by the Centre for Urban Growth + Renewal and supported by a group of core partners, the Tower Renewal Partnership is a collaborative initiative working to preserve and enhance this key housing through research, advocacy and demonstration projects. The Tower Renewal Partnership's goal is to enable reinvestment into these dynamic neighbourhoods, working toward building lower-carbon, healthier and more complete communities.

ABOUT NBLC

N. Barry Lyon Consultants has grown over the last forty four years from specializing in housing market research, to a broad based advisory firm involved in a wide range of public and private initiatives influencing the shape of our urban communities. Their work keeps them on top of emerging economic, demographic and market trends, changes in government policy, the pulse of the land development industry, land use planning and development trends.

ABOUT CMHC

This research was supported by Canada Mortgage and Housing Corporation (CMHC), however, the views expressed are the views of The Centre for Urban Growth & Renewal and the funding entities accept no responsibility for them.

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TOWER RENEWAL PARTNERSHIP

OVERVIEW

1. INTRODUCTION

1.1 CONTEXT

Throughout the 1960 and 70s, Canada developed a substantial supply of highrise purpose built rental housing throughout the country. Tower Renewal is an initiative for the continued stewardship of this housing stock to ensure its continued viability as core rental housing as a means of meeting CMHC's 2030 housing goals.

The core focus of Tower Renewal is three fold:

- To ensure the continued affordability of this housing stock;
- To upgrade the performance of this housing stock to meet 21st Century standards to ensure healthy, comfortable and resilient housing;
- To leverage the sites of this housing for the creation of additional housing and community services to meet Canada's housing and neighbourhood needs.

This study places focus on the third of these objectives, exploring how Tower Renewal can support CMHC and Canada's Housing Supply Challenge.

CANADA'S POST WAR RENTAL BOOM

Canada's post-war housing boom led to the development of nearly 740,000 units of multi-residential apartment housing across the country between roughly 1950 and 1980. This remarkable period of construction was the result of the alignment of federal incentives, provincial growth frameworks, municipal planning departments, and importantly commercial housing finance (with the strong support of CMHC). Through this alignment, a remarkable volume of mid-market and affordable housing was built throughout the country, creating what remains today as the backbone of the rental housing system in Canada.

"TOWER IN THE PARK" SITES

The predominant form of this housing is known as "Tower in the Park", where residential buildings were accompanied with large areas of open space, used for surface parking and passive green space. Largely incorporated into "greenfield" suburban development sites at the edge of urban areas, many of these sites contain large areas of open space that, today, is underutilized.

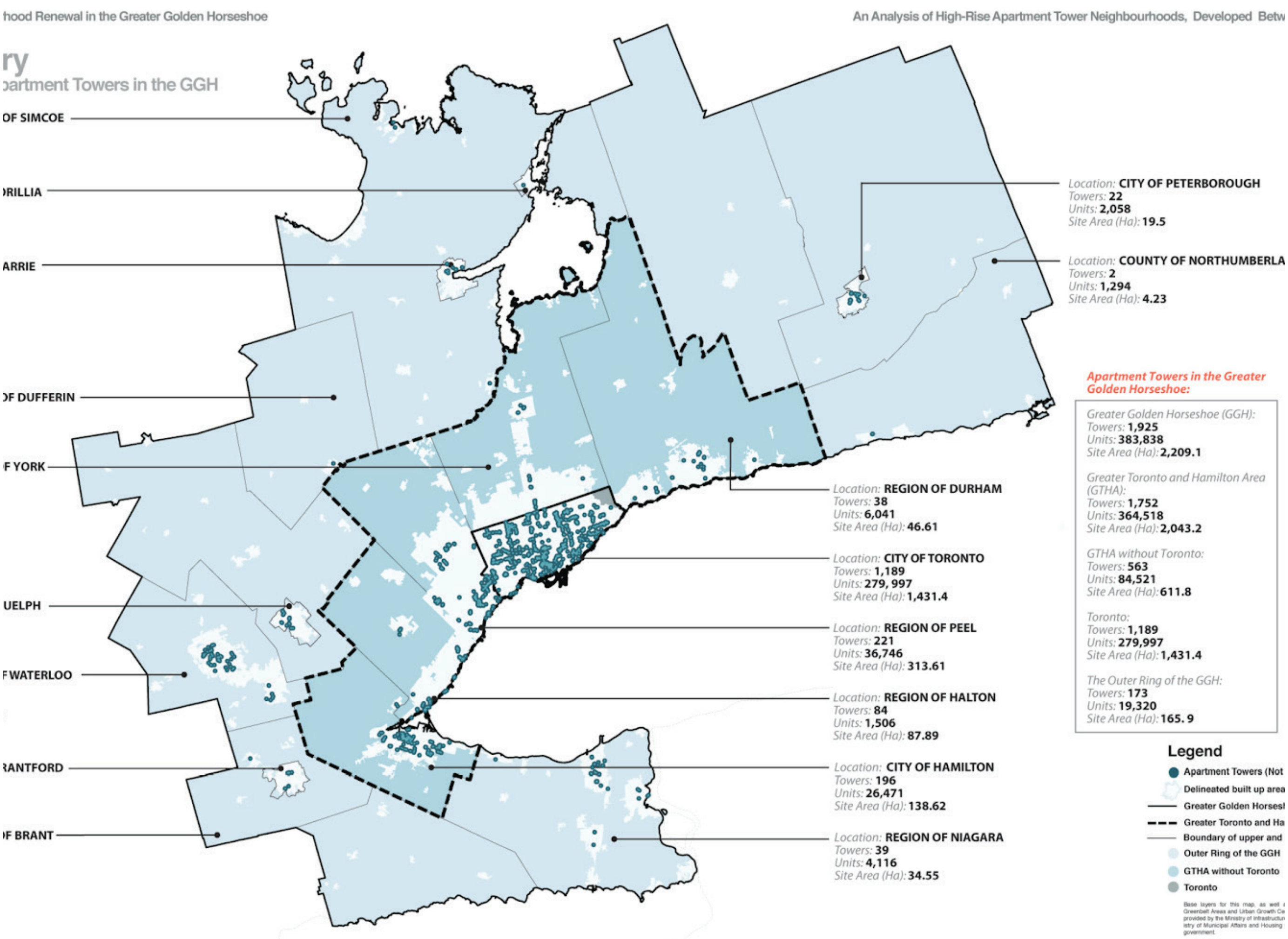
THE OPPORTUNITY

The legacy of this housing is instructive to examine what factors made its development at scale successful, as well as to examine how these sites can be leveraged for the creation of new housing to meet Canada's growing affordability challenges.

This study examines the opportunity and challenges of utilizing existing Tower in the Park sites for the creation of new affordable housing to contribute to addressing Canada's current housing supply challenge.

There is a considerable opportunity within Tower in the Park sites. As the last wave of cohesive purpose built rental towers, a number of sites can accommodate and benefit from infill development. Such development can benefit from the principles of 'social purpose development' – ie, development with direct community benefit, chief among them the supply of new affordable housing – to fully realise the benefits of the development capacity found within these tower neighbourhoods.

Figure1: Inventory of Apartment Towers in the Greater Golden Horseshoe



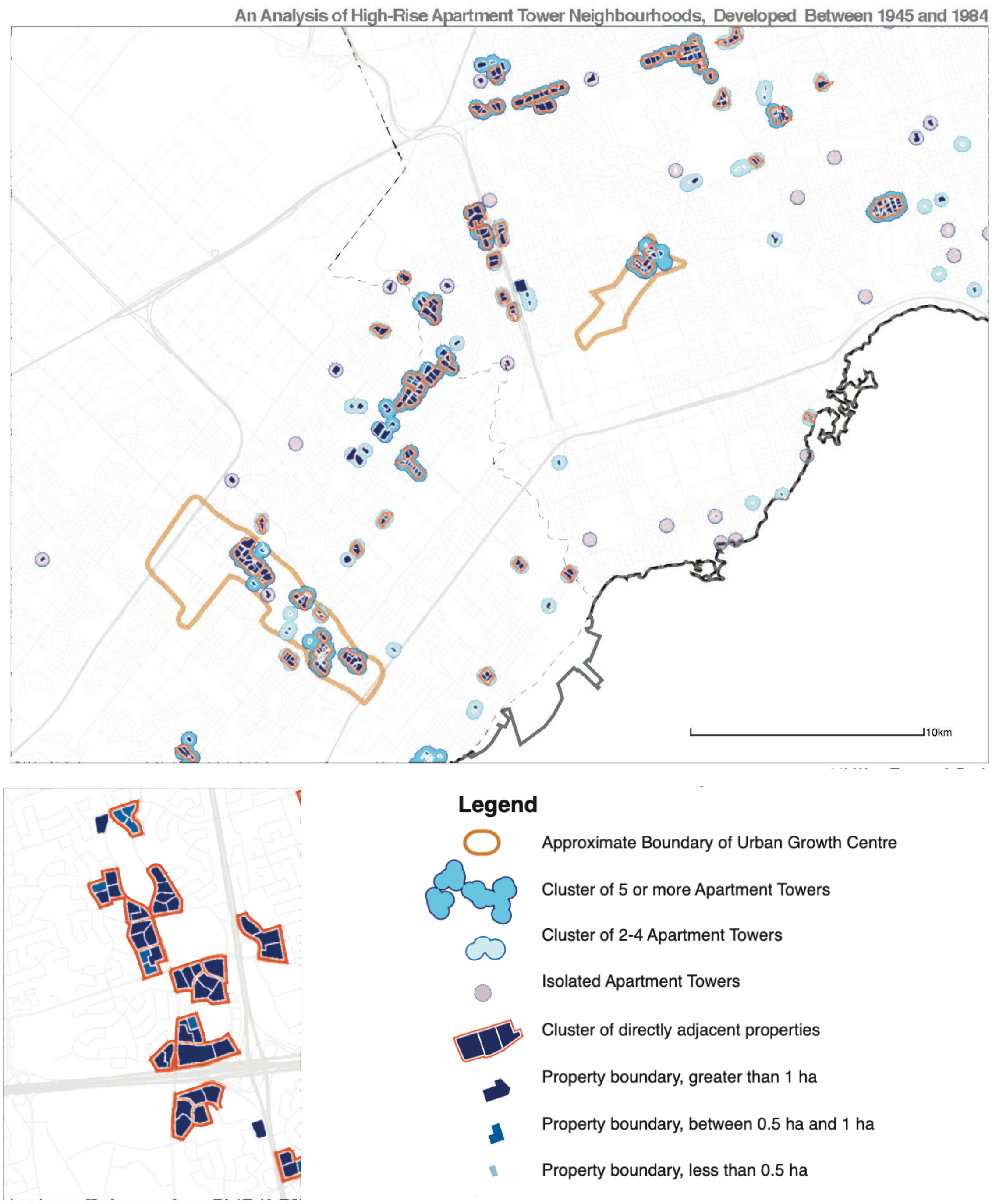
THE SCALE OF OPPORTUNITY:

This study builds on extensive research and existing municipal programs developed in Ontario examining the location and development potential of Tower in the Park Sites. While the opportunity is cross country, the Greater Toronto Area will be used to examine indicative site context for potential development.

The greater Toronto Region contains nearly two-thousand Tower in the Park sites, with a total land resource of 2,197.5 hectares on which Apartment Towers are situated. At modest densities, use of half of this land for new housing and mixed use development could accommodate new homes for over 50,000 people, assuming development at 50 people per hectare. As many of these sites are located near existing or planned transit, and other factors supporting higher densities, this number could be greater. Scaled across similar sites nationwide, the scale could be greater still.

If a portion, or the majority of this development is enabled to be affordable, through the National Housing Strategy and related programs, these sites could present a key path to meeting Canada's housing targets, while also stimulating related local community investment and neighbourhood enhancements.

Table 2: High-Rise Apartment Tower Neighbourhoods, Developed Between 1945 and 1984, Toronto Area



BEYOND INFILL: TOWER RENEWAL AS A BROAD STRATEGY

Affordable infill housing within Tower in the Park sites can compliment a broader strategy of comprehensive Tower Renewal.

Comprehensive Tower Renewal represents a coordinated investment that will result in three primary outcomes:

1. Deep energy retrofits to sustain, enhance, and transform our postwar tower housing stock into comfortable and high-quality low-carbon housing;
2. Mixed-use neighbourhood design, that leverages existing neighbourhood assets and aligns with broader city building goals of growth and transit planning; and
3. Social and economic investment toward community resilience, demonstrating a community led approach toward more healthy and complete communities.

The widespread implementation of Tower Renewal can lead to affordable, high-quality rental housing, lower-carbon cities and net-zero growth through:

- Maintenance of, and addition to, the affordable housing stock;
- Higher quality rental housing that maintains affordability;
- Implementation of crucial health and safety standards in our rental housing; and
- A wide diversity of uses and activities within neighbourhoods to support local economies and better connections to the city as a whole.

Comprehensive Tower Renewal works through a full-community lens. It is broad in scope, inclusive in process, and geared toward overall neighbourhood resilience. Furthermore, it is positioned to be supportive of parallel national, regional and local initiatives, such as investments in rapid transit, community hubs, and mixed-use growth.

Tower Renewal is a strategic framework, but its implementation must be done in a manner that is flexible and responsive to neighbourhood context, community needs, and local aspirations. This study examines how NHS tools can support infill housing within these sites, and also leverage the broader goals of Tower Renewal.

Examples of Neighbourhood Investments Associated with Tower Renewal Include:

- Securing the preservation of affordable housing in existing towers;
- Provision of new affordable housing in site infill;
- Upgrades and expansion to resident amenity;
- Introduction of new mix-use on site;
- Improvements to open space;
- Expansion of semi-public space through sites;
- Connections from sites to adjacent amenities (ie, new through block connections); and
- Substantive investment in the existing tower.

Examples of improvements to transform community life, on similar sites.

THE STUDY: LEVERAGING THE NATIONAL HOUSING STRATEGY CO-INVESTMENT FUND TO ACHIEVE AFFORDABLE HOUSING AND TOWER RENEWAL GOALS:

The premise of this study is that conditions can be achieved where existing Tower in the Park sites can be leveraged to achieve new mixed and affordable housing that benefit their existing communities and well as broader national housing, environmental and social goals. Further, it is the premise that these conditions today are largely not in place, presenting barriers to achieving this potential. The study examines the impact NHS tools may have in unlocking these conditions, and which other supports are required.

THE CHALLENGE:

The National Housing Co-Investment Fund (NHFC) has been designed as a delivery tool for purpose built affordable rental throughout the country.

While Tower in the Park sites found throughout the country are identified as having the potential to accommodate significant volumes of new affordable infill development enabled through the NHS, several challenges have been identified in doing so. These challenges are twofold:

1. **Development economics** currently favour for-profit and for-sale developments, placing greater risk on rental, and particularly affordable rental developments;
2. **In force planning policies** complicate, or outright prevent new developments within these sites creating significant risk, extended timelines and expense in engaging in development proposals on these sites.

This study examines both of these factors in detail, outlining current gaps contributing to status quo challenges, and proposes solutions to encourage successful NHCF projects on these sites.

PROJECT METHODOLOGY

This research project showcases policy solutions that can assist governments in enabling new affordable housing, community investment and deliver comprehensive community benefits through Tower in the Park redevelopment projects. Through understanding current processes and policies, local challenges, barriers and opportunities in securing community investment through tower infill redevelopment can be identified. This project examines how investments made possible through the NHS Co-Investment Fund can be leveraged to support broader neighbourhood transformation through coordinated co-investment between the federal government, municipalities and property owners. *Advisory Group List, Terms of Reference and Notes can be found in Appendix A.*

Phase 1

The project team organized and convened an advisory group composed of key industry stakeholders. Through individual engagements, the group provided refinement to research questions and research methods. The project team, comprising CUG+R and NBLC, created a case study to simulate a "Typical NHS Project for New Affordable Housing" of an ideal tower redevelopment site to use as to test potential solutions. This identified the core objectives related to housing renewal and neighbourhood resilience.

Phase 2

Next, a summary of existing policies and development frameworks from the City of Toronto was compiled by the project team. Further, policies and frameworks from Vancouver, Hamilton and Mississauga were compiled to evaluate their efficacy compared to the City of Toronto. As cities with significant amounts of postwar towers, urban growth and different levels of retrofit achievement and infill reinvestment policies, these cities provide representative examples of how government policy can influence redevelopment towards Tower Renewal goals.

Using the case study, policies (including the use of the NCHF), were tested by applying different scenarios and modelling the viability of the case study project. Policies and financing structures were modelled separately and together in order to understand each components' ability to unlock capital for site-wide Tower Renewal or create barriers. *Detailed explanations of the modelling can be found in the next section of the report.*

Using the results of the policy research and case study modelling, draft recommendations were developed. With input from the advisory group, a finalized set of draft recommendations were then developed, along with further modelling and policy research tasks.

Phase 3

The final report was developed and contains the case study, its analysis, comprehensive policy review and a suite of recommended policies, programs and/or framework adjustments. This visual report will include supporting infographics, charts and other supplementary materials.

CASE STUDY: NHS MODEL PROJECT FOR NEW AFFORDABLE HOUSING

THE CASE STUDY: INFILL AFFORDABLE HOUSING ON A TOWER SITE

To simulate a “Typical NHS Project for New Affordable Housing” on a tower site, several factors are considered. A model project was developed of mid-rise infill (10 storeys in this case) that would be appropriate in a variety of contexts, able to conform with in-force urban design guidelines, and compatible with a typical Tower in the Park site. To achieve this, an existing site was identified which exhibited typical Tower in the Park characteristics, forming the context for the design for the infill case study. For the purposes of this study, the base site is anonymized. The resulting infill case study project is used here to test base project financial viability and ability to generate surplus capital for broader community investments toward more comprehensive Tower Renewal in a variety of contexts and variables.

Variables tested in the study include:

- Market zone;
- Project tenure: condominium, rental, mixed tenure;
- Affordability level and mix;
- Nature of the developer (private or non-profit);
- Land ownership (historical land ownership, or recent market transaction); and,
- Financing terms (CMHC financing or commercial lender)
- Planning approval process

Use of these variables enables testing of infill development in representatives geographies throughout the Canadian urban context, assess the current gaps of achieving affordable infill in varied contexts; and assess the conditions in which NHS supporting projects may most likely succeed.

Case Study Details

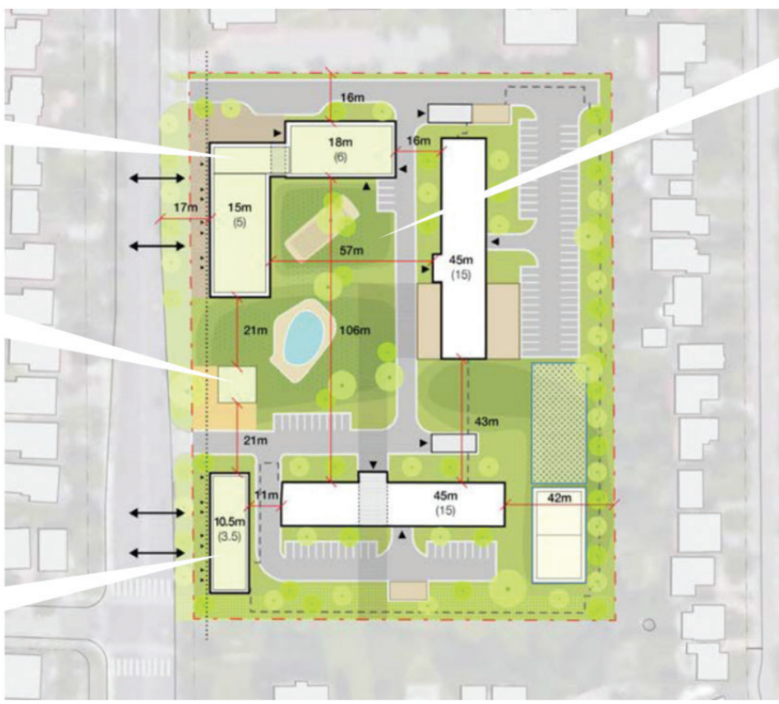
EXISTING SITE CHARACTERISTICS
Gross site area: 2.8 Ha
GFA: 36,570 sm
Lot Coverage: 9%
Number of Existing Towers: 2 towers at 15 storeys each
Number of Existing Tower Units: 404
Year Constructed: 1970s

Proposed Site Plan

New mid-rise building along the northern edge of the site **steps down** to the lane, street and open space

Proposed amenity pavilion **frames the entrance to a central open space**, and proportionally frames the street edge

Proposed townhouses **establish a street wall**, matching setbacks along



Proposed buildings **create a courtyard**, contributing to the scale and comfort of the open space

Proposed Infill Details:

CHARACTERISTICS:
Character of Infill: mid-rise apartments
Number of new units: 200
GFA: 16,250 sq. meters
Lot Coverage: 19%(total)
Number of Storeys: 10

DETAILED STATISTICS:

- Number of Units: 200
- Parking Ratios
  - Strong: 0.5
  - Moderate: 0.8
  - Weak: 1.0
- Unit Mix & Sizing:
  - 1 Bedroom: 40% @ 590 sq. ft. each
  - 2 Bedroom: 40% @ 725 sq. ft. each
  - 3 Bedroom: 20% @ 1000 sq. ft. each
- Surface Parking or Existing Parking available: 0
- Parking: Provided using a ratio of 0.5, 0.8, and 1.0 spaces per unit for strong, moderate, and weak market locations respectively.
- New Affordable Unit Rent Pricing (80% MMR)
  - Strong Market (ex: Central Toronto)
    - 1 Bedroom: $1,377 / month
    - 2 Bedroom: $1,926 / month
    - 3 Bedroom: $2,209 / month
    - Average: $1,763 / month
  - Moderate Market (ex: Etobicoke Central)
    - 1 Bedroom: $1,160 / month
    - 2 Bedroom: $1,334 / month
    - 3 Bedroom: $2,534 / month
    - Average: $1,304 / month
  - Weak Market (ex: Scarborough West))
    - 1 Bedroom: $986 / month
    - 2 Bedroom: $1,093 / month
    - 3 Bedroom: $1,198 / month
    - Average: $1,071 / month
  - Parking Revenue in all scenarios: $0

CASE STUDY MODELS & SCENARIO TESTING METHODOLOGY

The following is a description of the case study scenario testing and modelling that was conducted as part of this research.

The modelling tests the viability of a mid-rise infill development in strong, moderate, and weak residential market areas. The models also show how viability is impacted by the following variables:

- Project tenure: condominium, rental, mixed tenure;
- Affordability level and mix;
- Nature of the developer (private or non-profit);
- Land ownership (historical land ownership, or recent market transaction); and,
- Financing terms (CMHC financing or commercial lender);
- Planning approval process.

The model uses the case study described in this report (see Case Study description above): an infill tower site, assumed to be a 10 storey building with a gross floor area (GFA) of 16,250 square metres. Underground parking will be assumed in all scenarios.

SCENARIOS

The project team will prepare residual land value models that assess the total costs, estimated equity requirements and estimated revenues for the case study in three simulated market conditions (strong, moderate, weak), with multiple permutations (Financing Scenarios) included for each market, totaling 111 permutations overall.

Table 1: Models & Scenario Permutations

	MODELS & FINANCING SCENARIOS			
	100% Market Condo (Benchmark)	Private Sector, 30% Affordable (@80%AMR) + 70% Market Condominium	Non-Profit Sector, 30% Affordable (@80%AMR) + 70% Market Condominium	Non-Profit Sector, 100% Affordable (@80%AMR)
Weak Market	1 Financing Scenario	12 Financing Scenarios	12 Financing Scenarios	12 Financing Scenarios
Moderate Market	1 Financing Scenario	12 Financing Scenarios	12 Financing Scenarios	12 Financing Scenarios
Strong Marker	1 Financing Scenario	12 Financing Scenarios	12 Financing Scenarios	12 Financing Scenarios
Total Permutations: 111	3	36	36	36

FINANCING SCENARIOS:

- No Incentives, Full Planning Process (including OPA, ZBL)
  a. With commercial loan
  b. With CMHC Loan
- No Incentives, Pre-zoning (No OPA or ZBL)
  a. With commercial loan
  b. With CMHC Loan
- Open Door (municipal incentives), Full Planning Process (including OPA, ZBL)
  a. With commercial loan
  b. With CMHC Loan
- Open Door (municipal incentives), Pre-zoning (No OPA or ZBL)
  a. With commercial loan
  b. With CMHC Loan
- Federal Grants Only, Full Planning Process (including OPA, ZBL)
  a. With commercial loan
  b. With CMHC Loan
- Federal Grants + Open Door (municipal incentives), Pre-zoning (No OPA or ZBL)
  a. With commercial loan
  b. With CMHC Loan

Figure 1: Financing Scenario Mapping

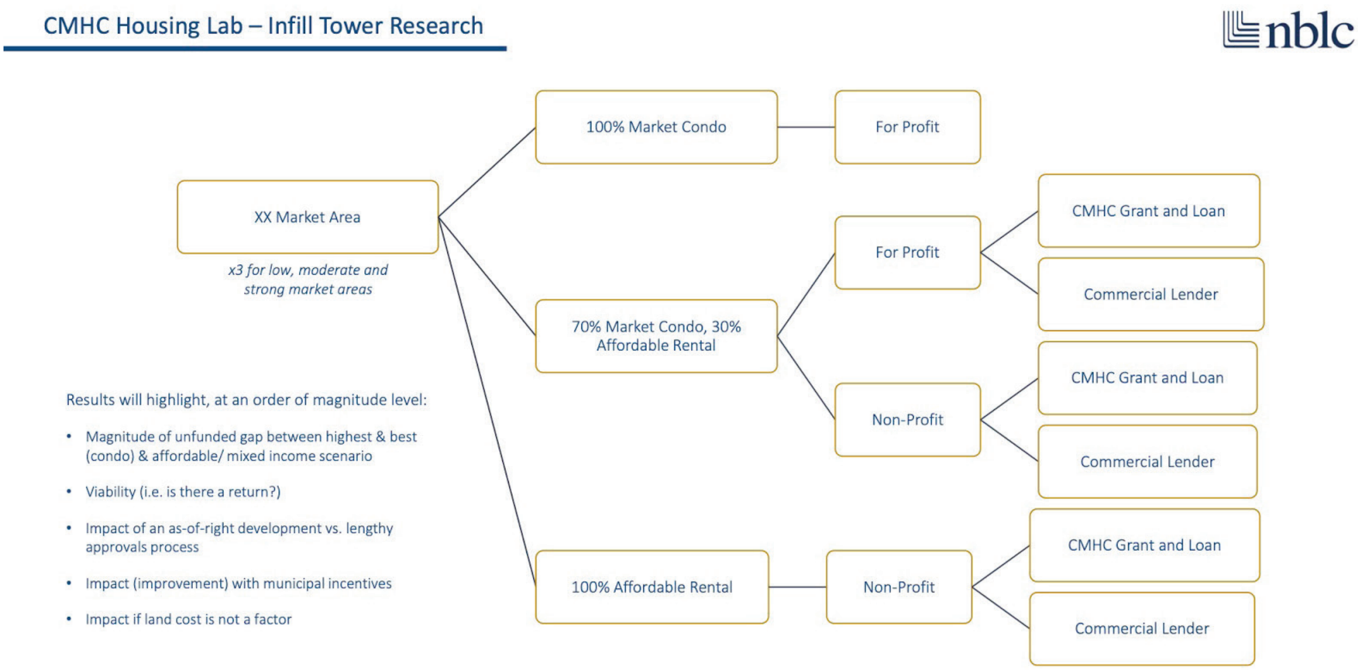
SENSITIVITY TESTING

The analysis will be used to demonstrate a series of sensitivity scenarios to demonstrate the impact of:

- Properties undergoing expanded a planning review process including Official Plan Amendment and Zoning amendments;
- Properties being pre-zoned, where the built form modeled represents the as-of-right density. In this scenario, the official plan and zoning amendment process is no longer needed, and the predevelopment timeline would be reduced to 1.5 years;
- The inclusion of municipal incentives, i.e. a toolkit similar to that of the City of Toronto's Open Door incentives (for the purposes of this analysis, soft costs will be modelled using City of Toronto fees). The list of municipal incentives include:
    - Pre-zoning Properties, reflected in the testing through:
        - Approval timeline is reduced from 4 years to 2.5 years
        - Consultant fees are reduced from 16% to 15.65% of hard cost
    - "Open Door" / CIP style Incentives, including waived planning application & building permit fees, development charges, and cash-in-lieu of parkland dedication for the affordable units.
- A scenario where the developer is the current land owner, so land acquisition is not a cost to the project.
- A scenario with capital contribution from the National Housing Co-Investment Fund.

These sensitivity scenarios will be addressed at a high level in our reporting to demonstrate the magnitude of the improvement that each consideration could have.

Figure 2: Case Study Modelling and Testing



ASSUMPTIONS:

For the financial modelling the following assumptions are incorporated:

- Unless otherwise noted, it is assumed that the project will require an Official Plan Amendment, rezoning, Site Plan Approval, and a severance application which take about 4 years to complete.
- A parking ratio of 0.5, 0.8, and 1.0 spaces per unit for strong, moderate, and weak market locations respectively. Parking is assumed to be underground structured parking.
- Affordable rental revenue is assumed to be 80% MMR, with parking at no extra charge.
- Market condominium revenue is assumed to be:
  - $1,200 per square foot (psf) in strong market areas, with an absorption rate of 20 units per month. Parking revenue is assumed to be $80,000 per space.
  - $950 psf in moderate market areas, with an absorption rate of 15 units per month. Parking revenue is assumed to be $60,000 per space.
  - $750 psf in weak market areas, with an absorption rate of 10 units per month. Parking revenue is assumed to be $40,000 per space.
- Unit size and mix assumptions will be consistent across tenures and are summarized below:

Suite Mix and Sizing		
Unit Type	Mix	Avg. Size
1B	40%	590
2B	40%	725
3B	20%	1,000
Total/Avg.	100%	725

2. SOLUTION DEVELOPMENT

MUNICIPAL POLICY SUMMARY

The following policy scan provides a summary of policies related to tower neighbourhoods and development from across Canada. Policies from Toronto, Vancouver, Mississauga and Hamilton are identified and positioned as either barriers or supports to unlocking redevelopment and affordable housing on tower sites. Overall, though there are many similarities, there is a heterogeneous policy response to tower neighbourhoods across Canada. Where municipalities have introduced supportive policies, they are typically not specifically geared towards Tower sites, but rather more general or limited to a geographic area (ie. downtown planning policies).

The identification and implementation of best practices and policies represents a considerable opportunity to unlock development of affordable and mixed income housing in Tower neighbourhoods. Supportive policy solutions highlighted are then tested in the modelling scenarios after this section. This includes policies that enable faster development review (policies that remove the need for official plan or zoning amendments for infill applications), as well as municipal financial incentives such as waived fees or direct support, for example

CITY OF TORONTO

The City of Toronto does not currently have specific policies that promote infill redevelopment on tower sites, however, significant infill projects are taking place. This development activity is primarily related to complementary policy layers (such as intensification of urban 'centres'), and in most circumstances requires a process of rezoning, or Official Plan Amendment. Most tower sites however, are not included in growth plans or designations. While the majority of growth in Toronto is planned for, and is taking place within its Centres and Avenues, including as Apartment Infill, the majority of tower sites exist outside of theser policy areas and are excluded from this economic activity.

Where tower infill does occur, ambiguities as to clear expectations around development within Apartment Neighbourhoods often results in many of these applications being resolved at the Ontario Municipal Board (or LPAT). In response several emerging studies and planning frameworks, including The Yonge and Eglinton Midtown Study, Finch West Secondary Plan and Sheppard East Study are placing focus on Tower infill. However, development within these plans may still require OPAs and ZBAs. In short, there is as of yet, no clear direction on where Tower infill is considered acceptable, and further, what outcomes of this type of development are considered preferable. Developments primarily occur on a case by case basis with varying outcomes, and long approval timelines.

There are a number of planning and zoning mechanisms within the current system being applied to achieve pre-planning and tower site transformation. Mechanisms include planning tools such as Site Plan Control, and Secondary Plans and zoning tools such as the Interim Control Zoning Bylaw, Holding Bylaws, Section 37 Agreements, and Conditional Zoning. Despite the potential of these mechanisms and the creative application of these tools by planning departments, none of these tools are a panacea for comprehensive Tower Renewal. The chart below outlines these tools, their intent and their limitations for infill developments on tower sites.

CURRENT TOOLKIT FOR TOWER NEIGHBOURHOOD RENEWAL IN TORONTO			
Tool	**Application**	**Tower Renewal Mechanism**	**Limitations**
Zoning			
Interim Control Zoning Bylaw (Section 38 of the Planning Act)	Puts a temporary freeze on some land uses while the municipality is studying or reviewing its policies. The freeze can be imposed for only a year, with a maximum extension of another year.	A mechanism for preplanning. Prohibiting development to proceed until a study or review concludes what development type of development is required to achieve the desired objectives of the Growth Plan and Official Plan.	• While it does identify requirements to meet objectives, it does not provide an implementation mechanism.
Holding Bylaw (Section 36 of the Planning Act)	A Holding By-law is a tool to manage and stage growth to ensure that land is ready for development. The bylaw provides zoning permission for use, height, and density, etc.	Outlines preconditions that must be fulfilled before the land use is permitted. Similar to Conditional Zoning - conditions are often related to servicing and traffic.	• While this tool is very useful for evaluating impacts and ensuring there is adequate infrastructure in place, it is limited in providing "as-of-right" conditions • Public consultation is not required within this process.
Agreements (Section 37 of the Planning Act)	'An incentive-based system that enables municipalities to authorize increases in the height and density of a development otherwise permitted by a zoning by-law, in return for the provision of community benefit(MMAH, 2018).' In this process the local councillor negotiates with the developer to leverage benefits. Can result in very politicised decision making.	Section 37 is currently the primary mechanism for securing contributions such as community amenity, affordable housing, and green space improvements.	• Often result in municipalities under zoning in order to better leverage contributions. • Tool has shown to be limited in its ability to provide the comprehensive needs of a site. • Decisions are Ad Hoc, and rushed often resulting in little community benefit.

Conditional Zoning (Section 34 of the Planning Act)	The Planning Act has never enacted the regulations required to allow for its use. Conditional zoning is a more simplistic and direct tools which allows for the imposition of 'one or more prescribed conditions on the use of land or the erection, location or use of buildings or structures and impose one or more prescribed conditions on the use, erection or location (OPPI, 2015).'	Would provide some benefits beyond and land use planning in regards to site transformation and complete communities. More enforceable and straightforward tool than a Holding bylaw. This process would include a series of stakeholder meetings held to develop a set of standards and criteria for development in a specific area.	• Not presently a legally viable option • Ontario must develop regulations to define prescribed conditions • Ministry is focused on encouraging the use of Community Planning Permits instead of conditional zoning
Planning			
Site Plan Control (Section 41 of the Planning Act)	Is a design refinement process that builds upon zoning, requires official plan (OP) policies and a site plan by-law for implementation. Regulates certain external building, site and boulevard design matters (character, scale, appearance, sustainable streetscape design) to ensure that the development proceeds in a safe and aesthetically pleasing way.	Examines the design and technical aspects of a proposed development to ensure it is attractive and compatible with the surrounding area, contributing to the economic, social and environmental vitality of the city. Features such as building designs, site access, and servicing, waste storage, parking, loading and landscaping are reviewed.	• No prescribed process to obtain public input. • It is limited to a technical review. • Does not contribute to provision of amenity or community benefit.

Secondary Plan	Policy Document applied to areas where significant redevelopment is expected. Secondary Plans establish local development policies to guide growth and development in defined areas of a city where significant physical changes are expected and desired.	Adapts and implements the objectives, policies, land use designations and overall planning approach of the City's Official Plan to fit with local contexts. It establishes local development policies unique to an area that will guide growth and change and promote a desired type and form in a specific area.	• Currently, the most proactive tool for preplanning is defining local issues and objectives and providing specific policies with more detailed direction. • An essential element to be layered in the preplanning process. • Does not have the level of legal weight that a Community Planning Permit has.

It should also be noted that in 2019, the City of Toronto commissioned KPMG to conduct an **"End-to-End Review of Development Review Process"**. KPMG identified Toronto's development review process as a systematic barrier in and of itself and put forth a strategy to transform the city's development review process. Of note for tower infill and redevelopment, the report identifies challenges with "conflicting comments, divisional objectives and policy frameworks", "ineffective application streaming", "increasing process complexity", "poor end-to-end oversight and accountability", "difficulty tracking application status and key information", "inconsistent policy frameworks and objectives" and "inadequate legislative and policy tool kit".

Recently, and potentially in response to the above, the CIty of Toronto has created the 'Housing Secretariat' with the specific mandate to resolve cross division barriers and expedite delivery of affordable housing. The Housing Secretariat provides potential to resolve some of the challenges and inconsistencies in developing affordable and mixed income housing on tower sites.

OTHER MUNICIPALITIES IN ONTARIO

City of Mississauga

The City of Mississauga also demonstrates how long range growth planning plays a considerable role in unlocking tower sites' potential.

Similar to the Toronto Official Plan, Mississauga's OP acknowledges that Neighbourhoods, including Apartment Neighbourhoods, are stable areas where existing character is to be preserved. However, the Mississauga OP states that higher density uses may be proposed in sites identified by a local area review, along corridors, or in conjunction with existing Apartment sites. Mississauga's OP also identifies a series of 22 Neighbourhood Character Areas, some of which include high-density Tower sites, and sets out land use, design, and site specific policies for each Neighbourhood Character Area. This finer-grained policy layer allows a more nuanced and site-specific approach to development within Tower Neighbourhoods, providing more certainty when conceiving redevelopment applications. In addition, a large number of Apartment Neighbourhoods exist within Mississauga's Urban Growth Centre, where intensification is being targeted. As a result, the development of coherent Tower infill strategies is imperative in meeting Growth Plan targets within Mississauga.

City of Hamilton

While not related to tower sites directly, the City of Hamilton undertook a complete review and update of their downtown development policies for their 2018-2019 review of their downtown secondary plan: Putting People First: A New Land Use Plan and Zoning Bylaw for Downtown Hamilton. The plan set increased height limits and provided redevelopment opportunities without requiring an extended municipal review process for individual applications. Instead, the update included an Official Plan Amendment, Secondary Plan and updated zoning by-law guidelines for tall buildings, urban form, heritage, and cultural preservation elements, parking, rezoning of land to better facilitate growth and development, and detailed height restrictions by parcel to preserve viewsheds of the Niagara Escarpment.

By conducting a full review of planning and development policies in their downtown, taking into account maximum heights (using the Niagara Escarpment as a guide) and growth strategies, the municipality was able to provide an updated development framework conducive for redevelopment and limiting ad-hoc, lengthy review processes for individual development proposal, shortening the approval process and facilitating the addition of new housing units in quicker fashion.

The Canadian Institute of Planning gave high praise to the plan, awarding the plan CIP's Award for Planning Excellence in 2019.

In the context of infill within tower sites, sites within this Secondary plan area will benefit from this streamlined framework. This plan demonstrates how a similar approach could be taken to tower districts outside of the plan area, and could be used as a model in other municipalities.

CITY OF VANCOUVER

In recent years, the City of Vancouver has introduced a suite of policies and measures to facilitate affordable rental housing, including in infill developments. Though they have fewer "Tower in the Park" sites, the city has introduced policies that further enabled infill rental housing. Most importantly, "Pre-Zoning" in the C-2 District, a commercial zoning designation. Though this policy applies to commercial districts and not to apartment neighbourhoods or Tower in the Park sites, a similar policy could be designed.

- Pre-zoning C-2 District (also known as "Conditional Zoning")
    - Enables new 6-storey rental projects in zoning district that only permits 4-storeys, as-of-right (no LUB or OPA)
    - Select commercial areas (C-2 zoning districts) to enable rental housing development up to 6-storeys through a 'pre-zoning' approach
    - New regulations for 6-storey rental in C-2
        - Prezoning under district schedules; rezoning no longer required
    - Maintain existing uses – commercial and strata for projects up to 4 storeys
    - Rental Replacement does not apply within C-2.

Further, additional policies in Vancouver support infill affordable rental housing and again could be geared towards apartment neighbourhoods or Tower in the Park sites.

- “Below-Market Rental Housing Policy for Rezonings”
    - Density Bonuses for below market rental (2-3 additional storeys)
    - For 100% secured market rental projects with at least 20% of the residential floor area as below-market rental housing made available to households earning below $80,000K/year
- Enhanced Rental Options in Low Density Transition Areas zoned RS and RT
    - New rental zones to enable rezoning to “off-the-shelf” district schedules that clarify height and density

The City of Vancouver is also working on and considering the introduction of further policies to support affordable rental housing development by creating a “rental” zoning classification. This way, rental-only developments can be larger/taller than a condominium, as-of-right, further incenting rental housing.

- Further use of Rental Zoning: “Residential Rental Tenure” zoning
    - Province announced in 2018, other municipalities in BC have implemented.
    - Rental zoning allows for unique regulations (e.g. allowable height and density) for properties limited to 100% residential rental tenure.
    - Previous rental policies required rezoning to custom CD-1. New rental zoning will allow for a more streamlined and clearer process
    - New ‘off the shelf’ district schedules in low-density areas for rental townhouses and low-rise apartments
        - New approach, new zones with clear regulations allowing for a more streamlined rezoning process
    - Critiques: The 2017 Goodman Year End Review (Vancouver Rental Apartment Review) criticised this type of zoning, stating that such a designation can artificially de-value properties. However, lower land costs is a key part of the equation in affordable housing delivery.

SUMMARY

Municipal tool kits can be optimized to target the infill of affordable and mixed-income housing on tower sites. While planning frameworks in Ontario can provide various degrees of opportunity for pre-planning, the planning framework in BC provides for additional tools, allowing for conditions being placed on zoning, such as level affordability, tenure, etc. that can further streamline processes and direct investment for affordable housing development toward specific sites.

Provincial planning frameworks allowing for these tools should be considered across the country, and used by local authorities to match CMHC NHS goals.

CASE STUDY MODELLING

To test the viability of various financing scenarios for an affordable infill housing project (the case study), a complex set of factors were used to construct a model. As discussed in the Methodology Section, the financing scenarios are further analyzed through testing various levels of municipal and federal support.

To review, the case study was modelled in three types of real estate markets (strong, moderate and weak), using four scenarios, one benchmark and three affordable housing scenarios:

- Case Study:
    - “Typical NHS Project for New Affordable Housing” on a tower site with mid-rise infill
- Benchmark Scenario:
    - 100% Market Condo (Private Sector)
    - For for-profit developers to consider a mixed-income project, the money they walk away with should be comparable to a 100% condominium project, as that is the highest yielding type of development. Therefore, our financial testing uses the results from the 100% condominium scenario as a benchmark for comparison purposes.
- Affordable Housing Scenarios:
    - 30% Affordable (@80%AMR) + 70% Market Condominium (Private Sector Developer);
    - 30% Affordable (@80%AMR) + 70% Market Condominium (Non-Profit Developer);
    - 100% Affordable (@80%AMR) (Non-Profit Developer)

Twelve different financing scenarios are then applied to the Affordable Housing Scenarios and compared to the benchmark scenario. The financing scenarios model different types of financing (commercial loan vs. CMHC loan), federal and municipal support and planning approval timelines. For a complete list of the Financing Scenarios, refer to the methodology section above.

Table 3: Case Study Modelling Summary

Real Estate Market	MODELS & FINANCING SCENARIOS			
	100% Market Condo (Benchmark)	**Private Sector, 30% Affordable (@80%AMR) + 70% Market Condominium**	**Non-Profit Sector, 30% Affordable (@80%AMR) + 70% Market Condominium**	**Non-Profit Sector, 100% Affordable (@80%AMR)**
Strong Marker	1 Financing Scenario	12 Financing Scenarios	12 Financing Scenarios	12 Financing Scenarios
Moderate Market	1 Financing Scenario	12 Financing Scenarios	12 Financing Scenarios	12 Financing Scenarios
Weak Market	1 Financing Scenario	12 Financing Scenarios	12 Financing Scenarios	12 Financing Scenarios
Total Permutations: 111	3	36	36	36

MODELLING FINDINGS & ANALYSIS

For discussion purposes, modelling results and key findings are organized by Affordable Housing Scenarios:

1. 30% Affordable (@80%AMR) + 70% Market Condominium (Private Sector Developer);
2. 30% Affordable (@80%AMR) + 70% Market Condominium (Non-Profit Developer);
3. 100% Affordable (@80%AMR) (Non-Profit Developer)

For private sector for-profit developers, the most appealing option is likely the benchmark scenario: 100% condominium. For for-profit developers to consider a mixed-income project, the money they walk away with should at least be comparable (100% condominium vs. mixed-income). Therefore, the financial testing uses the results from the 100% condominium scenario as a benchmark. The results from the following scenarios are compared to this benchmark to indicate whether the developer would have the motivation to deliver a mixed income project.

SCENARIO 1: PRIVATE SECTOR DEVELOPER - 30% AFFORDABLE (@80%AMR) + 70% MARKET CONDOMINIUM

General Findings

Projects with 100% condominiums are viable in strong and moderate market zones, and near viable in weak market zones, presuming healthy absorption rates.
The private sector engaging in 30% affordability results in a significant reduction in revenues as compared to a typical 100% market project, placing these projects outside of the viability threshold, equal to or greater than 12% ROI.
This discount can only be offset through a federal grant scenario, which brings project revenue into the market viability threshold.

Strong Markets

In strong markets, a market condominium development (with full land costs included) could yield a return of about $190 per square foot (psf) buildable. With 30% affordable units included, the return is depressed by 63% to $70 psf without any assistance. When both municipal incentives and federal grants are included, returns can be increased to $160 psf. While the return of a mixed income project cannot match that of a condominium project even with the assumed incentives, the profit margin measured by return as a percentage of gross revenue, could be 13% with the federal grant tested or 15% if both federal grants and municipal incentives are provided. A mixed income project could enjoy cost savings from lower Parkland Dedication CIL (calculated on land value) and taxes which means lower level of investments from the developer. This result means a private developer could find the project profitable with an additional grant tested. Profitability improves further if municipal incentives are stacked, or if land costs are reduced (or historically capitalized).

Moderate Markets

In moderate markets, a market condominium development (with full land costs included) could yield a return of about $130 per square foot (psf) buildable. With 30% affordable units included, the return is depressed by 77% to $30 psf without any assistance. When both municipal and federal incentives are included, returns can be increased to $120 psf.

In the moderate market scenario, both federal grants and municipal incentives are required to make a viable project (measured by a profit margin of over 12%). Our analysis appears to show that the CMHC low cost loan has a minimal impact when the development is delivered by the private sector. This result is tied back to the assumption that private developers would sell the rental component at project completion, whereas the CMHC financing tends to have more significant impact with its powerful permanent financing terms.

Weak Markets

In weak markets, a market condominium development (with full land costs included) could yield a return of about $80 per square foot (psf) buildable. With 30% affordable units included, the return is depressed to -$10 psf without any assistance. When both municipal and federal\ incentives are included, returns can be increased to $90 psf, which is above the return of market condominium development. This means a developer in the weak market area could be incentivized to favour a mixed income development over a market development, if the federal and municipal incentives tested here were made available. When both federal grants and municipal incentives are offered, profit margins could be pushed to about 13%. If the federal grants and municipal incentives were not both available, the profit margin would fall below 10%; not a viable outcome based on our assumptions.

Table 1: Private Sector Developer - 30% Affordable (@80%AMR) + 70% Market Condominium Strong, Moderate and Weak Markets

Financial Testing Summary - **Private Sector**, 30% Affordable (@80%AMR) + 70% Market Condominium						
Strong Market	**100% Market Condo (Benchmark**	**No Incentives + Full PLG Process**		**Pre-Zoned + No Incentives**		**Open**
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comm Lo
Total Cost (Soft + Hard)	$740	$670	$660	$620	$610	$64
Hard Costs	$380	$370	$370	$350	$350	$37
Soft Costs	$360	$290	$280	$270	$260	$27
Developer Equity Investment Required	$180	$170	$160	$150	$150	$16
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	yes	yes	yes	yes	ye
Total Revenue	$1,240	$1,000	$1,000	$950	$950	$1,0
Revenue Received at Project Completion (Condos) Before Disposal of Re	$1,240	$1,240	$1,230	$1,170	$1,170	$1,2
Proceeds from Rental Component Disposal	$0	$450	$450	$440	$440	$45
Measures of Performance						
Total developer return after paying off all costs (no land cost*) - PV	***$350***	***$240***	***$240***	***$260***	***$260***	***$25***
% Reduction from Benchmark Scenario	*-*	*31%*	*31%*	*26%*	*26%*	*29*
Return on Gross Revenue	*28%*	*24%*	*24%*	*27%*	*27%*	*25*
Total developer return after paying off all costs (Incl. land cost) - PV	***$190***	***$70***	***$80***	***$80***	***$80***	***$9***
% Reduction from Benchmark Scenario	*-*	*63%*	*58%*	*58%*	*58%*	*53*
Return on Gross Revenue	*15%*	*7%*	*8%*	*8%*	*8%*	*9*

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

Financial Testing Summary - **Private Sector**, 30% Affordable (@80%AMR) + 70% Market Condominium						
Moderate Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Oper
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comm Lo
Total Cost (Soft + Hard)	$720	$650	$640	$610	$600	$6
Hard Costs	$420	$420	$420	$390	$390	$4
Soft Costs	$290	$230	$230	$220	$210	$2
Developer Equity Investment Required	$180	$160	$160	$150	$150	$1
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	yes	yes	yes	yes	y
Total Revenue	$1,010	$800	$800	$770	$760	$8
Revenue Received at Project Completion (Condos) Before Disposal of Re	$1,010	$1,000	$1,000	$960	$950	$1,
Proceeds from Rental Component Disposal	$0	$320	$320	$310	$310	$3
Measures of Performance						
Total developer return after paying off all costs (no land cost*) - PV	***$200***	***$100***	***$110***	***$120***	***$120***	***$1***
% Reduction from Benchmark Scenario	*-*	*50%*	*45%*	*40%*	*40%*	*40*
Return on Gross Revenue	*20%*	*13%*	*14%*	*16%*	*16%*	*15*
Total developer return after paying off all costs (Incl. land cost) - PV	***$130***	***$30***	***$30***	***$40***	***$40***	***$4***
% Reduction from Benchmark Scenario	*-*	*77%*	*77%*	*69%*	*69%*	*69*
Return on Gross Revenue	*13%*	*4%*	*4%*	*5%*	*5%*	*5*

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

Financial Testing Summary - **Private Sector**, 30% Affordable (@80%AMR) + 70% Market Condominium						
Weak Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Open
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comm Lo
Total Cost (Soft + Hard)	$690	$660	$650	$610	$600	$64
Hard Costs	$450	$440	$440	$410	$410	$44
Soft Costs	$240	$210	$210	$200	$190	$20
Developer Equity Investment Required	$170	$160	$160	$150	$150	$16
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	no	no	no	no	n
Total Revenue	$820	$660	$650	$630	$630	$66
Revenue Received at Project Completion (Condos) Before Disposal of Re	$820	$820	$810	$790	$780	$82
Proceeds from Rental Component Disposal	$0	$270	$270	$270	$270	$27
Measures of Performance						
Total developer return after paying off all costs (no land cost*) - PV	**$90**	**$0**	**$0**	**$20**	**$20**	**$1**
% Reduction from Benchmark Scenario	-	100%	100%	78%	78%	89
Return on Gross Revenue	11%	0%	0%	3%	3%	2
Total developer return after paying off all costs (Incl. land cost) - PV	**$80**	**($10)**	**($10)**	**$10**	**$10**	**$0**
% Reduction from Benchmark Scenario	-	113%	113%	88%	88%	10
Return on Gross Revenue	10%	-2%	-2%	2%	2%	0

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants (15% Cost, $100 psf) Only		deral Grants (15% Cost, $90 psf) and Municipal Incentiv	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$640	$630	$600	$590	$670	$660	$600	$590
	$370	$370	$350	$350	$370	$370	$350	$350
	$270	$260	$250	$240	$290	$280	$250	$240
	$160	$160	$150	$150	$170	$160	$150	$150
	yes	yes	yes	yes	yes	yes	yes	yes
	$1,000	$1,000	$950	$950	$1,100	$1,090	$1,040	$1,040
)	$1,240	$1,230	$1,170	$1,170	$1,380	$1,370	$1,300	$1,290
	$450	$450	$440	$440	$450	$450	$440	$440
	$250	***$260***	***$270***	***$280***	***$310***	***$310***	***$340***	***$350***
	29%	*26%*	*23%*	*20%*	*11%*	*11%*	*3%*	*0%*
	25%	*26%*	*28%*	*29%*	*28%*	*28%*	*33%*	*34%*
	$90	***$90***	***$90***	***$100***	***$140***	***$140***	***$160***	***$160***
	53%	*53%*	*53%*	*47%*	*26%*	*26%*	*16%*	*16%*
	9%	*9%*	*9%*	*11%*	*13%*	*13%*	*15%*	*15%*

ble from site to site.

es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants (15% Cost, $100 psf) Only		deral Grants (15% Cost, $90 psf) and Municipal Incentiv	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$630	$630	$590	$580	$650	$640	$590	$580
	$420	$420	$390	$390	$420	$420	$390	$390
	$220	$210	$200	$200	$230	$230	$200	$200
	$160	$160	$150	$150	$160	$160	$150	$150
	yes	yes	yes	yes	yes	yes	yes	yes
	$800	$800	$770	$760	$890	$890	$850	$850
	$1,000	$1,000	$960	$950	$1,140	$1,140	$1,080	$1,080
	$320	$320	$310	$310	$320	$320	$310	$310
	$120	***$120***	***$130***	***$140***	***$170***	***$180***	***$200***	***$200***
	40%	*40%*	*35%*	*30%*	*15%*	*10%*	*0%*	*0%*
	15%	*15%*	*17%*	*18%*	*19%*	*20%*	*24%*	*24%*
	$40	***$40***	***$50***	***$50***	***$100***	***$100***	***$120***	***$120***
	69%	*69%*	*62%*	*62%*	*23%*	*23%*	*8%*	*8%*
	5%	*5%*	*6%*	*7%*	*11%*	*11%*	*14%*	*14%*

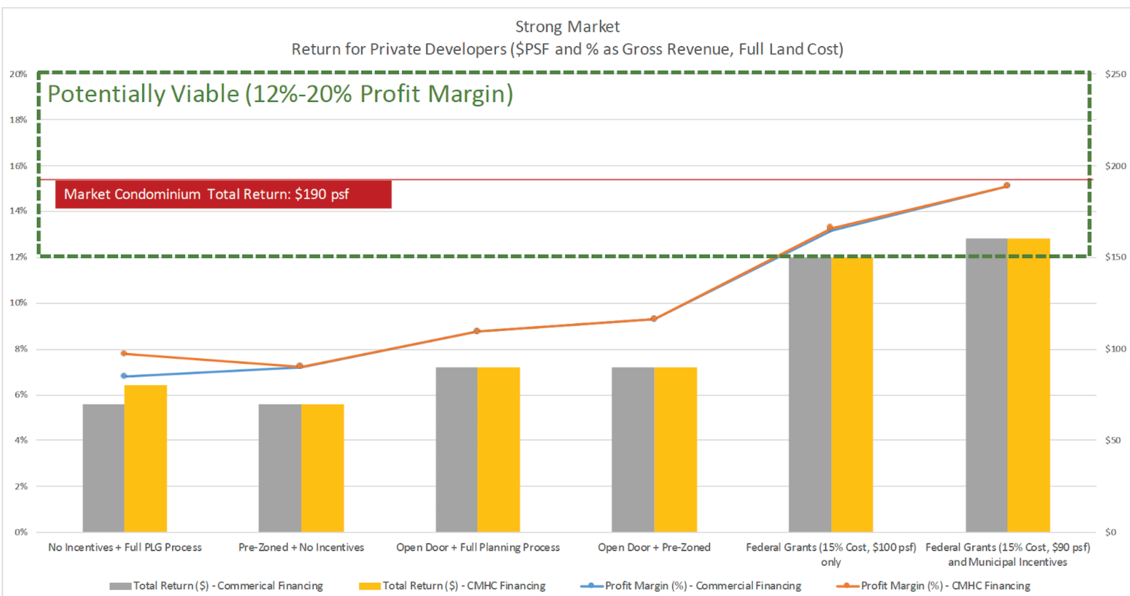
ble from site to site.

es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants (15% Cost, $100 psf) Only		deral Grants (15% Cost, $90 psf) and Municipal Incentiv	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$640	$630	$590	$580	$660	$650	$590	$580
	$440	$440	$410	$410	$440	$440	$410	$410
	$200	$190	$180	$170	$210	$210	$180	$170
	$160	$160	$150	$150	$160	$160	$150	$150
	no	no	no	no	yes	yes	yes	yes
	$660	$650	$630	$630	$750	$750	$720	$720
	$820	$810	$790	$780	$960	$950	$910	$910
	$270	$270	$270	$270	$270	$270	$270	$270
	$10	**$20**	**$30**	**$40**	**$70**	**$70**	**$100**	**$100**
	89%	78%	67%	56%	22%	22%	-11%	-11%
	2%	3%	5%	6%	9%	9%	14%	14%
	$0	**$10**	**$20**	**$30**	**$60**	**$60**	**$90**	**$90**
	100%	88%	75%	63%	25%	25%	-13%	-12.5%
	0%	2%	3%	5%	8%	8%	13%	13%

ble from site to site.

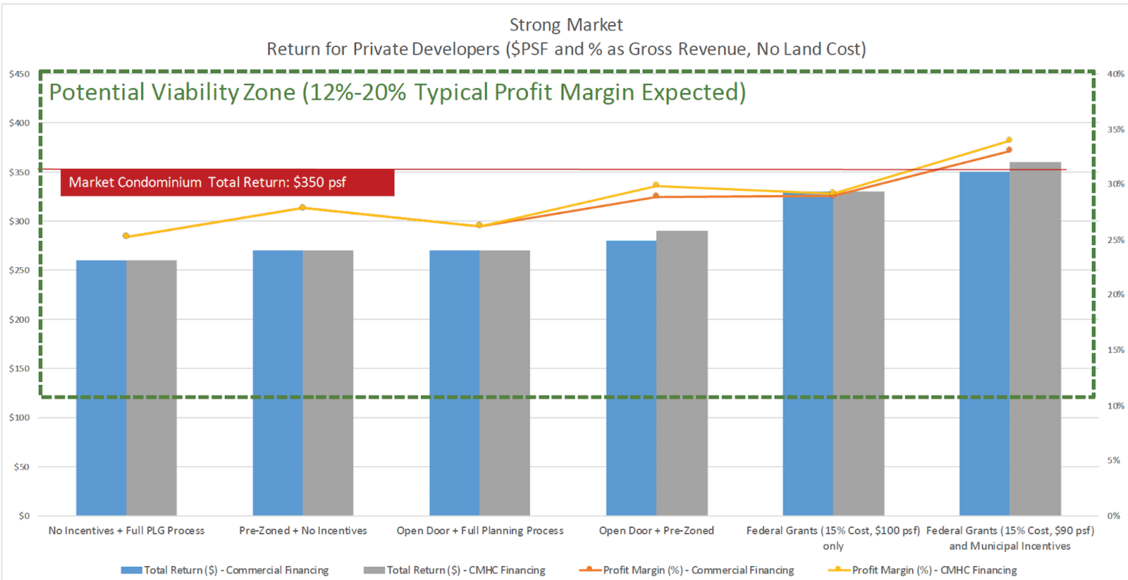
National Housing Strategy Tools

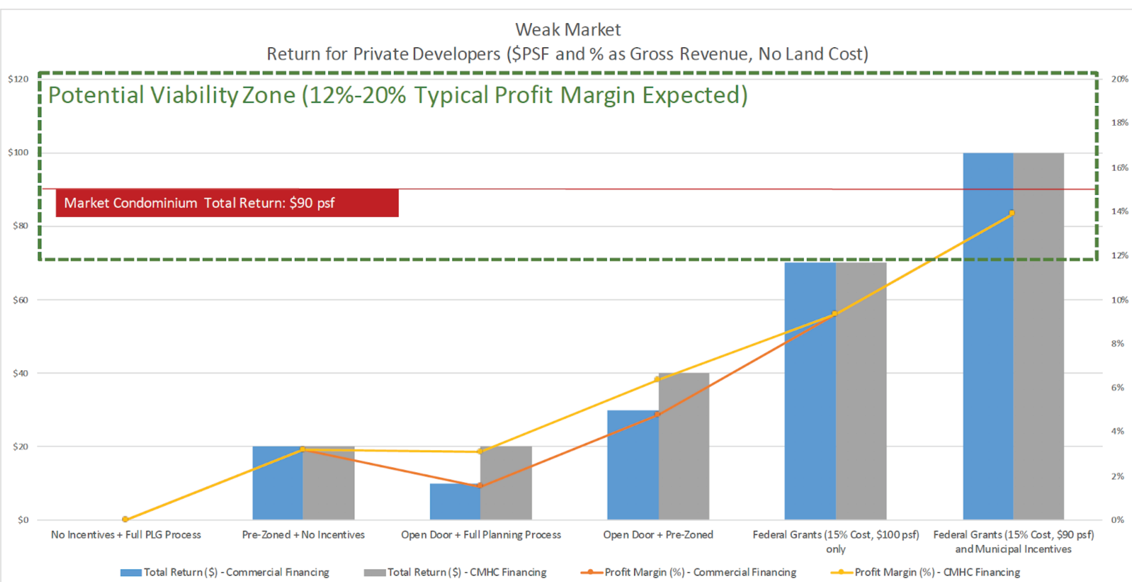
In a private for-profit scenario, CMHC rate financing does not present a meaningful impact to development viability. This is a result of for-sale condo developers being short-term holders of financing. CMHC grants however, have an important impact on achieving project viability in weaker market zones.



Land Value

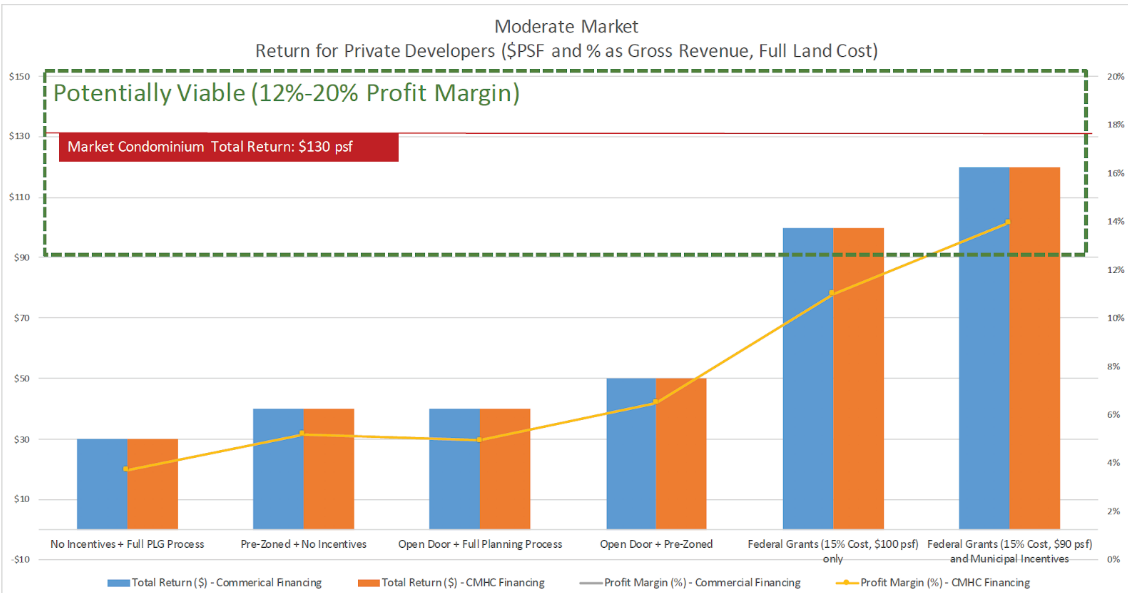
In scenarios where land costs are set to zero are a result of developments taking place within lands already owned by the developer, such as a Tower in the Park site, results in a significant benefit. In strong markets zones, projected ROI can increase by as much as 340%. The impact is less extreme in moderate market zones, and negligible in weak market zones, where land costs are depressed. In all cases however, an owner-developer scenario aids in project viability in all market zones, and presents the opportunity for significant surpluses in strong market zones. The value modelled here is a best case scenario where 100% of the cost of land can be extracted from development costs. Individual scenarios may vary based on ownership structure and development agreement, however, in all cases developing land currently held presents a benefit, increasing the viability of achieving 30% affordability on these sites.





Surplus for Additional Community Benefit

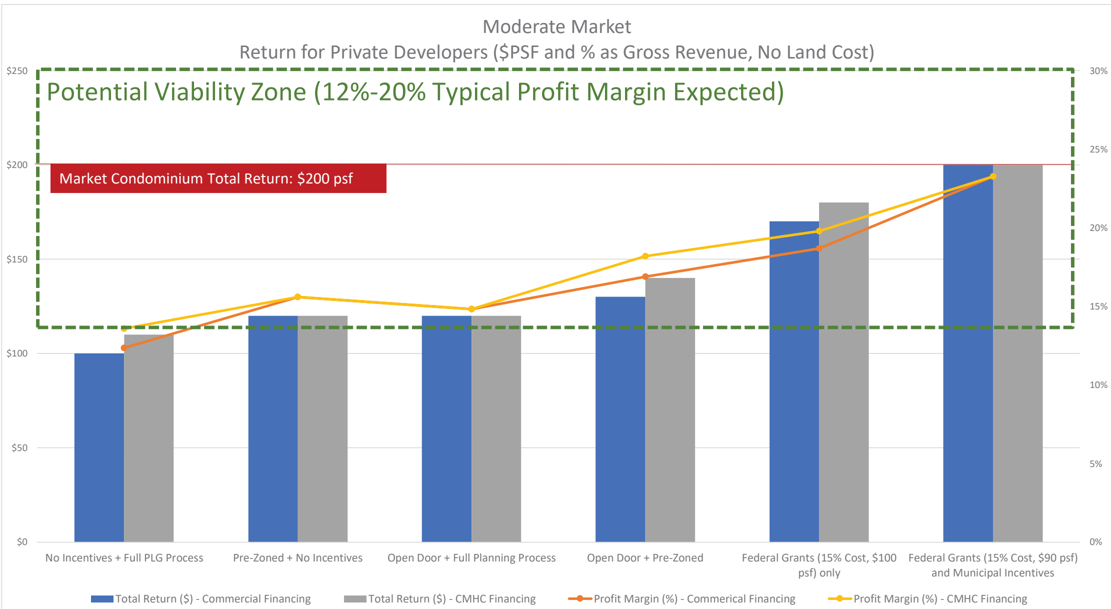
The model tests a significant community benefit – the provision of 30% affordable housing. It also examined the potential for additional benefit beyond this value, and beyond the typical investments required for municipal approval, such as Section 37 in Ontario. To determine this in the Private Sector Scenario, projects were assessed to determine if they had the potential to perform beyond the base viability threshold – a point at which private sector actors may accept additional requirements for community investment.



Of the models studied, only those with the provision of federal grants were able to generate surplus funds, indicating that grants could be specifically aligned to design performance objectives related to community benefit. In scenarios where land is excluded from development costs, returns are significant in the strong market, providing the potential for additional community benefit without the requirement of grant support.

Time and Certainty

Pre-zoning does not have a discernible impact on project monetary performance. In fact, market housing purchase price escalations predict that the longer a property is held prior to sale, the greater the return on investment – (a condition modelled in a pre-covid real estate environment). Therefore, well capitalized developers can 'afford' the longer time, realizing higher yields downstream.



However, pre-zoning reduces project delivery by up to two years or more, speeding the process of bringing new affordable housing into the system. In addition, pre-zoning removes uncertainty. As weak and moderate market zones yield less return in absolute terms, the prospect of a protracted and uncertain process – with the potential for some sites to be rejected outright – may push investment toward higher yield gambles. Making investments a 'sure thing' will channel investment from lower yield / lower risk developers toward these sites.

Private Sector Conclusion

The private sector scenario testing reveals the following key findings:

- Evidence demonstrates that market developments will continue to outperform mixed income developments, particularly in strong and moderate market areas where achievable market revenue can make a project highly profitable.
- In weak markets, a mixed income development with federal and municipal support could potentially yield better outcomes and outcompete a market development.
- As a result, if the same level of federal grants and municipal incentives are offered, private developers are more likely to apply them in weaker market locations. There are positives and negatives to this from a planning perspective.
- This might stimulate new development in areas where new investment activity may have not otherwise occurred.
- But, findings demonstrate that added policy requirements, incentives, and/ or, special players might be required to introduce affordable units within stronger market locations.
- The delivery of 30% affordable units by private sector developers is a challenge as a result of an expectation of financial performance through development, represented by the 'viability' threshold equal to or greater than 12% ROI.
- Current investment behaviour is based on evaluation of ROI expectations for projects that deliver 100% market rate housing. Any deviation from this is viewed as a discount. A provision of 30% affordable units presents a significant discount that takes projects outside of the viability threshold.
- Projects where land is already owned by the developer change this equation, and are feasible without direct government support.
- Government support for these projects creates significant opportunity for community benefit in addition to provision of 30% affordability.
- Project pre-zoning does not have a significant monetary impact on the project in terms of additional community benefit, however it does accelerate timelines for the delivery of affordable housing and ensures these sites are viable for delivery. Additionally it may impact investor behaviour: as margins are tighter on sites in moderate to weak market zones, where most tower sites exist, pre-zoning could attract interest, avoiding a protracted and uncertain process for what may be viewed as a modest return.

SCENARIO 2: NON-PROFIT DEVELOPER - 30% AFFORDABLE (@80%AMR) + 70% MARKET CONDOMINIUM

General Findings

- In non-profit scenarios, projects are considered viable if total revenue is equal to, or greater than, total costs.
- Not for Profit developments presents a different viability threshold than that of private development. Rather than high-yield financial performance, project break-even is the minimum goal. As a result non-profit development significantly increases the number of sites in which affordable housing delivery through mixed development is viable.
- Viability is instead limited by developer capacity – currently the not-for-profit development sector is in its infancy as result of competition from the high yields possible in the private sector.
- In the not for profit scenarios, CMHC crown lending has a significant impact on project viability and is a critical tool.
- Projects in strong markets, and grant supported projects in weaker markets provide significant opportunity for community benefit in addition to affordable housing delivery.

Strong Markets

In strong markets, mixed income projects can generally break even, even without incentives. If the non-profit developer already owns land, the development could potentially yield additional net revenue which could be redeployed for other purposes.

If the non-profit does not own land, net revenue would be much smaller. Without any assistance, the project could be at risk of being unviable, especially with conventional financing. The impact of CMHC financing is quite noticeable in these non-profit scenarios. It significantly bolsters the borrowing capacity of non-profit developers and reduces their equity requirement.

In strong markets, our analysis suggests that the value of land and deposits received from condominium units are high enough to help satisfy equity requirements for a typical construction loan. However, if the developer does not already own land – and with land values highest in strong markets – the non-profit would face a significant challenge in competing with private developers.

Moderate Markets

In moderate markets, mixed income projects can generally break even without incentives if the the developer owns land. If the developer does not own land, the project is unlikely to be viable without incentives. The financial position remains negative even if the project gets pre-zoned by the City. Nonetheless, CMHC financing could be enough to sway viability of projects in these two scenarios. With Municipal incentives, projects with full land cost can be marginally viable with commercial financing, but viability significantly improves with CMHC financing.

Similar to the strong market situation, our analysis suggests that the land value and purchaser deposits from condominium sales in moderate markets can also be sufficient to satisfy the equity requirement for a construction loan. If the developer does not already own land, the equity requirement could pose financial challenges for non-profit developers.

Weak Markets

Weak markets are one area where government support can really make a difference to creating viable mixed income projects. However, it remains true that underlying fundamentals also need to be present to support the sale of market residential units in these locations. Without any financial assistance, projects appear to not be viable with commercial financing, and marginally viable with CMHC financing.

With municipal incentives (pre-zoning and CIP style incentives) alone, projects are still likely to be unviable with commercial financing. It is with CMHC financing stacked with municipal tools when we estimate that these projects can yield positive net revenue. A federal grant as assumed could support a viable project with additional net revenue, with either commercial or CMHC financing. Land values in weak market areas are generally low and make a relatively small difference in improving viability. In weak markets, the combination of land value and purchaser deposits may be insufficient to satisfy equity requirements for construction financing. This issue could be mitigated with a federal grant that is equivalent to about 15% of total hard and soft project costs.

CMCH Tools

In the not for profit development scenario the impact of CMHC long term low rate lending is significant. None of the scenarios tested outside of strong market zones are viable without CMHC support. The impact of this lending has dramatic impacts in all tested scenarios, and bring projects from non-viability into viability in many of the scenarios tested in moderate and weak market zones. Grants further increase project viability. In weak market zones they may be required – reducing project risk in otherwise low revenue scenarios. In moderate and strong market zones grants result in project surpluses which could be deployed in targeted community benefit.

Table 2: Non-Profit Developer - 30% Affordable (@80%AMR) + 70% Market Condominium Strong, Moderate and Weak Markets

Financial Testing Summary - **Non-Profit Sector**, 30% Affordable (@80%AMR) + 70% Market Condominium						
Strong Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Oper
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comn Lo
Total Cost (Soft + Hard)	$740	$690	$680	$640	$630	$6
Hard Costs	$380	$370	$370	$350	$350	$3
Soft Costs	$360	$320	$310	$290	$290	$2
Developer Equity Investment Required	$180	$170	$170	$160	$160	$1
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	yes	yes	yes	yes	y
Total Funding Source (Condo Revenue + Perm Loan)	$1,240	$940	$980	$890	$930	$9
Revenue Received at Project Completion (Condos) Before Disposal of Re	$1,240	$1,240	$1,230	$1,170	$1,170	$1,
Permanent Loan Eligible	$0	$240	$390	$230	$380	$2
Sufficient to cover construction loan?	yes	yes	yes	yes	yes	y
Gap	$0	$0	$0	$0	$0	$
Total developer return after paying off all costs (no land cost*) - PV	**$350**	**$170**	**$210**	**$190**	**$230**	**$1**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	
Total developer return after paying off all costs (Incl. land cost) - PV	**$190**	**$10**	**$40**	**$10**	**$50**	**$**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site t

Financial Testing Summary - **Non-Profit Sector**, 30% Affordable (@80%AMR) + 70% Market Condominium						
Moderate Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Oper
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comn Lo
Total Cost (Soft + Hard)	$720	$670	$660	$620	$620	$6
Hard Costs	$420	$420	$420	$390	$390	$4
Soft Costs	$290	$250	$250	$240	$230	$2
Developer Equity Investment Required	$180	$170	$170	$160	$150	$1
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	yes	yes	yes	yes	y
Total Funding Source (Condo Revenue + Perm Loan)	$1,010	$750	$790	$720	$750	$7
Revenue Received at Project Completion (Condos) Before Disposal of Re	$1,010	$1,000	$1,000	$960	$950	$1,
Permanent Loan Eligible	$0	$170	$290	$170	$280	$1
Sufficient to cover construction loan?	yes	yes	yes	yes	yes	y
Gap	$0	$0	$0	$0	$0	$
Total developer return after paying off all costs (no land cost*) - PV	**$200**	**$60**	**$90**	**$70**	**$100**	**$7**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	
Total developer return after paying off all costs (Incl. land cost) - PV	**$130**	**($20)**	**$10**	**($10)**	**$20**	**$**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

Financial Testing Summary - **Non-Profit Sector**, 30% Affordable (@80%AMR) + 70% Market Condominium						
Weak Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Oper
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comn Lo
Total Cost (Soft + Hard)	$690	$650	$640	$610	$600	$6
Hard Costs	$450	$440	$440	$410	$410	$4
Soft Costs	$240	$210	$200	$200	$190	$1
Developer Equity Investment Required	$170	$160	$160	$150	$150	$1
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	no	no	no	no	n
Total Funding Source (Condo Revenue + Perm Loan)	$820	$620	$650	$600	$620	$6
Revenue Received at Project Completion (Condos) Before Disposal of Re	$820	$820	$810	$790	$780	$8
Permanent Loan Eligible	$0	$160	$270	$160	$260	$1
Sufficient to cover construction loan?	yes	yes	yes	yes	yes	y
Gap	$0	$0	$0	$0	$0	$
Total developer return after paying off all costs (no land cost*) - PV	**$90**	**($20)**	**$0**	**($10)**	**$20**	**($**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	
Total developer return after paying off all costs (Incl. land cost) - PV	**$80**	**($30)**	**$0**	**($20)**	**$10**	**($**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants (15% Cost, $100 psf) Only		deral Grants (15% Cost, $90 psf) and Municipal Incenti	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$670	$660	$620	$610	$690	$680	$620	$610
	$370	$370	$350	$350	$370	$370	$350	$350
	$290	$280	$270	$260	$320	$310	$270	$260
	$170	$160	$150	$150	$170	$170	$150	$150
	yes	yes	yes	yes	yes	yes	yes	yes
	$940	$980	$890	$930	$940	$980	$890	$930
)	$1,240	$1,230	$1,170	$1,170	$1,240	$1,230	$1,170	$1,170
	$240	$390	$230	$380	$240	$390	$230	$380
	yes	yes	yes	yes	yes	yes	yes	yes
	$0	$0	$0	$0	$0	$0	$0	$0
	$190	**$230**	**$210**	**$250**	**$250**	**$280**	**$280**	**$320**
	-	-	-	-	**15%**	**15%**	**15%**	**15%**
	$30	**$60**	**$30**	**$70**	**$80**	**$120**	**$100**	**$140**
	-	-	-	-	**15%**	**15%**	**15%**	**15%**

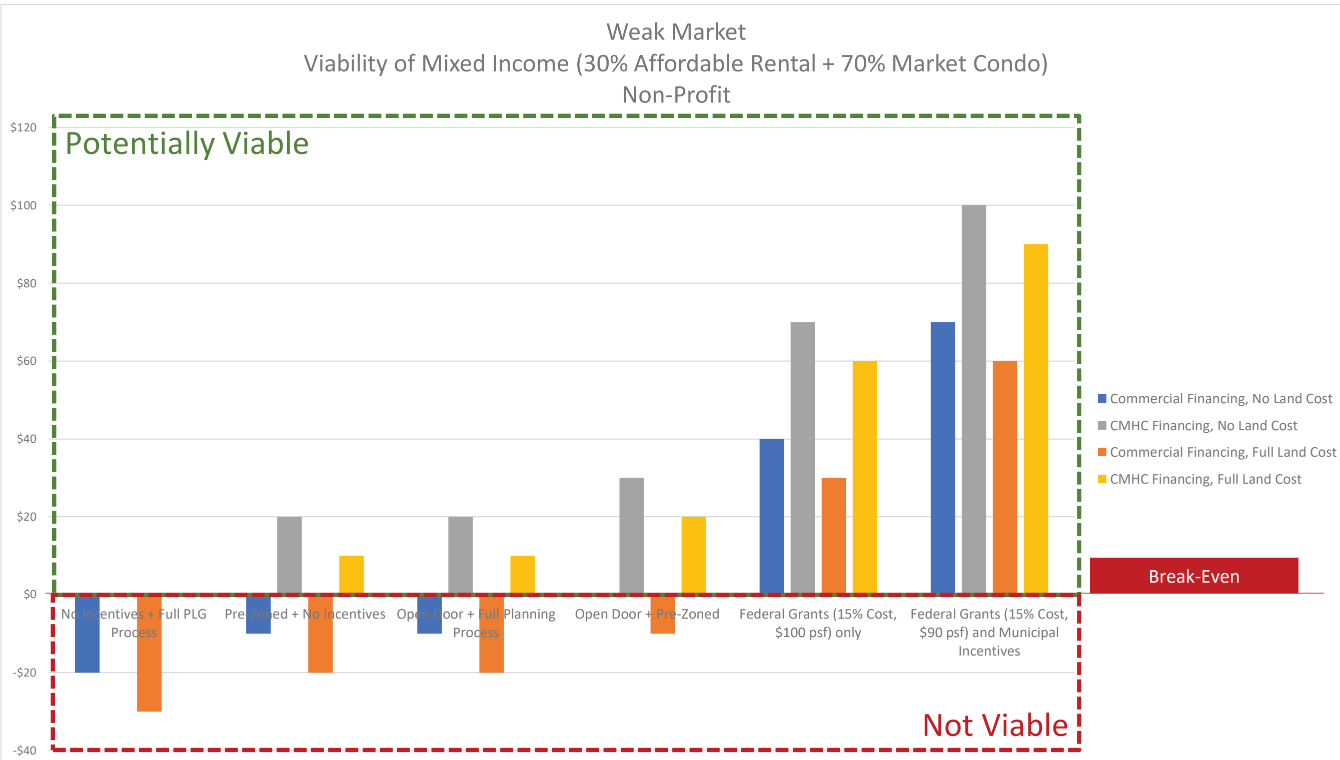
ble from site to site.

es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants (15% Cost, $100 psf) Only		deral Grants (15% Cost, $90 psf) and Municipal Incenti	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$650	$640	$610	$600	$670	$660	$610	$600
	$420	$420	$390	$390	$420	$420	$390	$390
	$240	$230	$220	$210	$250	$250	$220	$210
	$160	$160	$150	$150	$170	$170	$150	$150
	yes	yes	yes	yes	yes	yes	yes	yes
	$750	$790	$720	$750	$750	$790	$720	$750
	$1,000	$1,000	$960	$950	$1,000	$1,000	$960	$950
	$170	$290	$170	$280	$170	$290	$170	$280
	yes	yes	yes	yes	yes	yes	yes	yes
	$0	$0	$0	$0	$0	$0	$0	$0
	$70	**$100**	**$90**	**$120**	**$130**	**$160**	**$160**	**$190**
	-	-	-	-	**15%**	**15%**	**15%**	**15%**
	$0	**$20**	**$10**	**$40**	**$50**	**$80**	**$80**	**$100**
	-	-	-	-	**15%**	**15%**	**15%**	**15%**

ble from site to site.

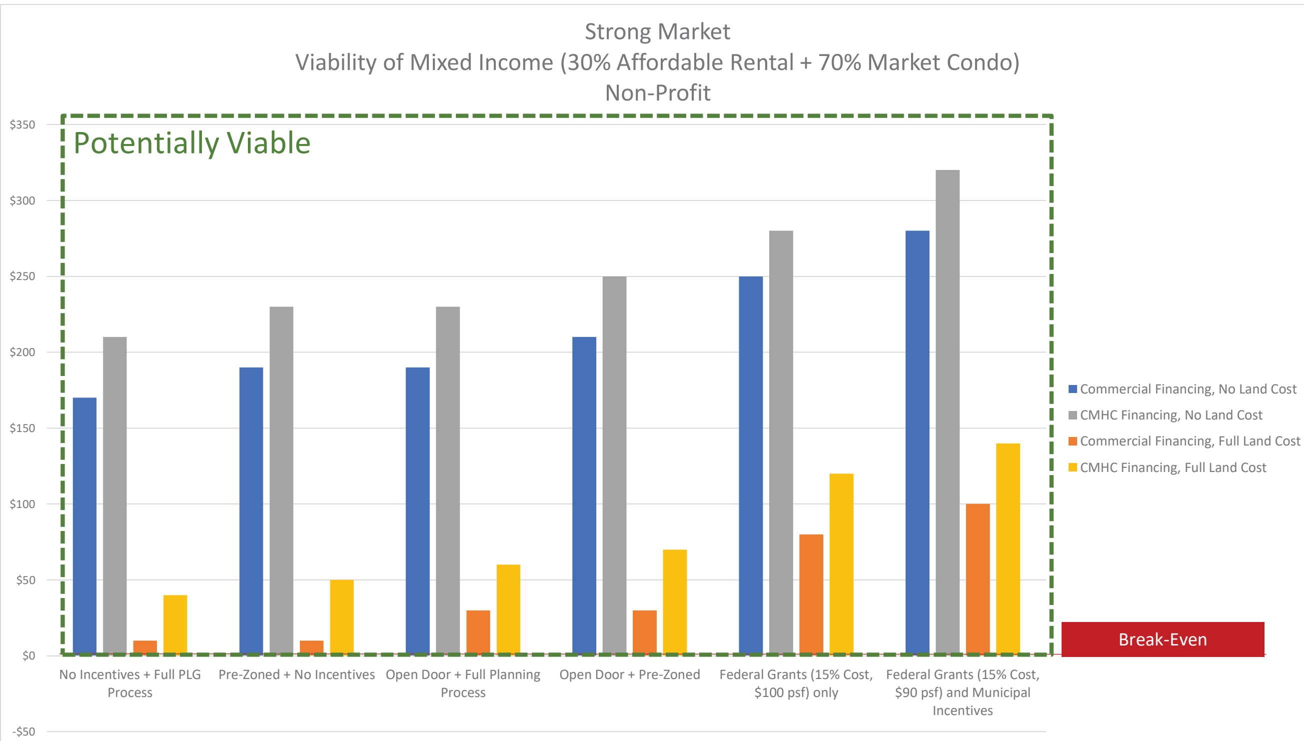
es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants (15% Cost, $100 psf) Only		deral Grants (15% Cost, $90 psf) and Municipal Incenti	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$640	$630	$590	$580	$650	$640	$590	$580
	$440	$440	$410	$410	$440	$440	$410	$410
	$190	$190	$180	$180	$210	$200	$180	$180
	$160	$160	$150	$150	$160	$160	$150	$150
	no	no	no	no	yes	yes	yes	yes
	$620	$650	$600	$620	$620	$650	$600	$620
	$820	$810	$790	$780	$820	$810	$790	$780
	$160	$270	$160	$260	$160	$270	$160	$260
	yes	yes	yes	yes	yes	yes	yes	yes
	$0	$0	$0	$0	$0	$0	$0	$0
	($10)	**$20**	**$0**	**$30**	**$50**	**$70**	**$70**	**$100**
	-	-	-	-	**15%**	**15%**	**15%**	**15%**
	($20)	**$10**	**($10)**	**$20**	**$40**	**$60**	**$60**	**$90**
	-	-	-	-	**15%**	**15%**	**15%**	**15%**

ble from site to site.



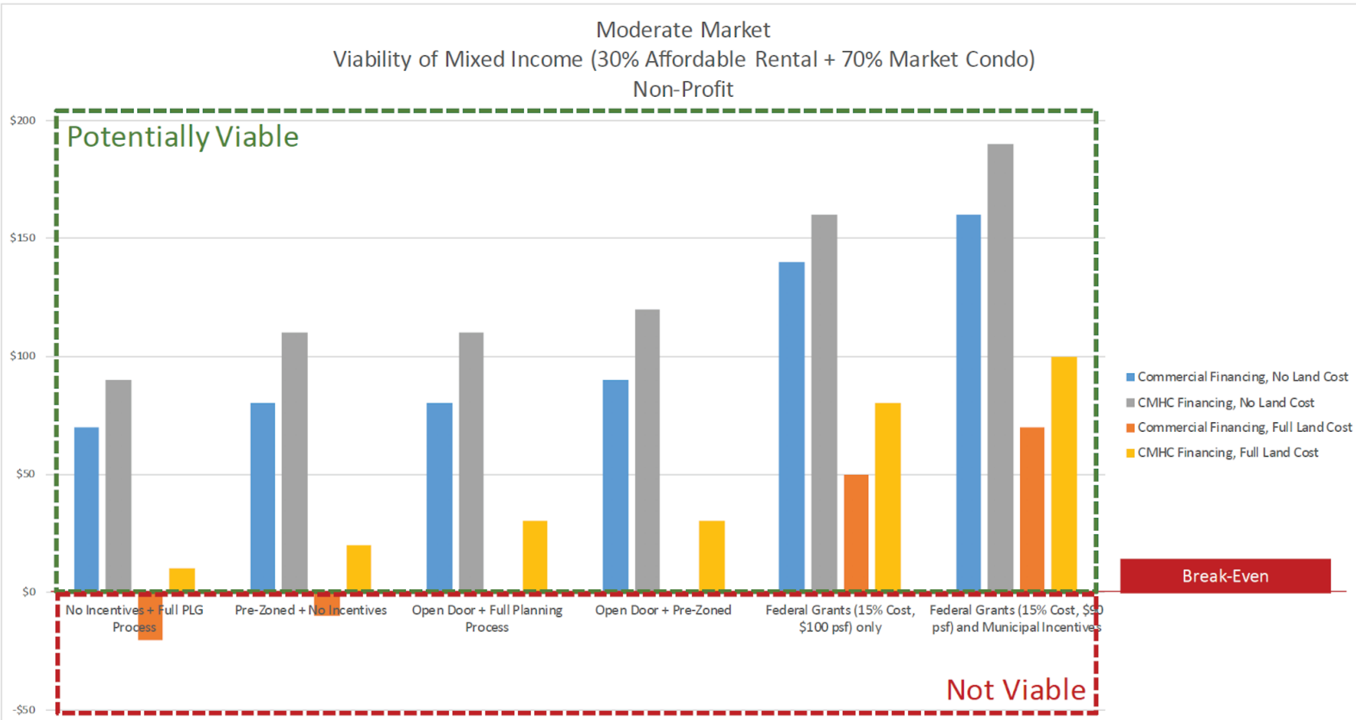
Land Value

Retained land value has a dramatic impact on not for profit developments, in some cases increasing project surpluses five-hold. Not only are many scenarios viable without Federal tools, they offer substantial surpluses for community benefit, particularly in strong markets.



Surplus for Additional Community Benefit

Projects with grant support have been demonstrated to achieve a development surplus which could be used to achieve several goals, from increased affordability, community amenity, or asset refurbishment (the adjacent 'tower' in the park). Projects in which land value is retained in strong and moderate markets achieve substantial surpluses, which have a great potential for their redirection toward public good.



Time and Certainty

As the not for profit development market is in its infancy, the appetite for risk is lower. As a result, projects where outcomes are uncertain, such as those where approvals are not guaranteed may be avoided. Further, as the goal of these developers is housing delivery, rather than downstream returns, sites are chosen where affordable housing can be developed at speed.

Not For Profit Mixed Development Conclusion

The non-profit, mixed-income scenario testing reveals the following key findings:

- **Not For Profit development of mixed housing presents the biggest opportunity for affordable housing delivery and additional community benefit of the scenarios tested.**
- CMHC financing has an important impact on project viability, and is a key tool in delivery.
- Strong viability in select market zones suggest that scale of affordability could be increased beyond 30% on a case-by-case basis. Additional surpluses could also be leveraged for meaningful community benefit, and government and community partnerships could further leverage community impact.

- Building capacity in the not for profit sector crucial in realizing potential for housing delivery
- From a financial viability perspective, a mixed-income model can reduce the out-of-pocket equity requirement which is usually a major barrier for the non-profit sector to deliver rental housing.
- Non-profit with sites in strong market areas could achieve a viable mixed-income project without incentives or CMHC loan. Without land, the project could still be viable financially, however the funds required to secure land in the first place could be significant.
- In moderate market areas, projects with no land cost are generally viable without incentives. With full exposure to market land costs, a mixed-income project would require CMHC financing tools or “Open Door” / CIP style program incentives to be viable
- In weak market areas, land plays a much smaller role in overall project costs. Mixed income projects in these markets are generally not viable without incentives. CMHC financing could potentially allow these projects to break even without other incentives; but leaves no extra room to weather risk. The combination of a CMHC loan and municipal incentives could make projects viable, with modest net revenue.

The major benefit of the mixed-income, mixed-tenure model:

- Condominium unit sales provide a revenue stream in the early phases of the project. This is crucial in securing both construction financing and a permanent loan. Effectively cross-subsidizing affordable units with money that would otherwise represent profit & land value.

Potential barriers of the mixed-income, mixed-tenure model:

- In weak market areas, non-profit developers may require assistance with equity requirements. In strong and moderate areas, this requirement can often be satisfied through a combination of land value and purchaser deposits.
- If the developer does not already own land, a non-profit developer would need to compete with private developers or other non-profit developers for land. This barrier is applicable to non-profit real estate development in most instances.
- It is rare for a non-profit to have the experience and capacity to deal with condominium apartment development and sales. The mixed-income, mixed-tenure model is considerably more complex than a market condominium development. Partnerships could be valuable.

SCENARIO 3: NON-PROFIT DEVELOPER - 100% AFFORDABLE (@80%AMR)

General Findings:

- In all market zones, no developments are viable without grant support.
- The value of the grant needed is lessened if land is already held by the not for profit, but remains significant.
- Projects are dependent on available granting for viability, dramatically limiting delivery volume.

Strong Markets:

In strong markets, a fully affordable rental development at 80%MMR is not viable, even with a combination of municipal incentives, CMHC loans, and the removal of land costs. The table below illustrates the amount of additional grant money required to bring the project to a break-even position. If the developer owns land (i.e. no land cost), and CMHC financing and municipal incentives are secured, the grant required would be 12% of project costs (+/- $50 psf). If the developer does not own land and has no municipal incentives or a CMHC loan, the grant required is 100% of the project cost (+/- $600 psf), since the revenue it brings in is just sufficient to cover land value.

Moderate Markets:

In moderate markets, a fully affordable rental development at 80%MMR is not viable, even with a combination of municipal incentives, CMHC loans, and the removal of land costs. Projects could also have issues in securing construction loans without an additional funding source, as land value is not sufficient to satisfy equity requirements. The table below outlines the amount of grant money required to bring the project to a break-even position. If the developer owns land, and both CMHC financing and municipal incentives are secured, the grant required is about 40% of project costs (+/- $190 psf). If the developer does not own land and has no municipal incentives or CMHC loan, the grant required is about 90% of the project cost (+/- $530 psf).

Weak Markets:

In weak markets, a fully affordable rental development at 80%MMR is not viable, even with a combination of municipal incentives, CMHC loans, and the removal of land costs. Projects could also have issues securing a construction loan without additional funding sources, as land value is not sufficient to satisfy equity requirements. The table below illustrates the amount of federal grants required to bring a project to a break-even position. If the developer owns land, and both CMHC financing and municipal incentives are secured, the grant required would be about 45% of project costs (+/- $210 psf). However, if the developer does not own land and has no municipal incentives or a CMHC loan, the grant required would be about 75% of project costs (+/- $430 psf).

Table 1: Non-Profit Developer - 100% Affordable (@80%AMR) Strong, Moderate and Weak Markets

Financial Testing Summary - **Non-Profit Sector**, 100% Affordable						
Strong Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Open
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comm Loa
Total Cost (Soft + Hard)	$740	$610	$600	$560	$550	$50
Hard Costs	$380	$370	$370	$340	$340	$37
Soft Costs	$360	$240	$230	$220	$210	$13
Developer Equity Investment Required	$180	$150	$150	$140	$140	$12
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	yes	yes	yes	yes	ye
Total Funding Source (Condo Revenue + Perm Loan)	$1,240	$240	$390	$230	$370	$23
Revenue Received at Project Completion (Condos) Before Disposal of Re	$1,240	$0	$0	$0	$0	$0
Permanent Loan Eligible	$0	$240	$390	$230	$370	$23
Sufficient to cover construction loan?	yes	no	no	no	no	nc
Gap	$0	($220)	($60)	($190)	($40)	($14
Total developer return after paying off all costs (no land cost*) - PV	**$350**	**($260)**	**($150)**	**($260)**	**($140)**	**($19**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	-
Total developer return after paying off all costs (Incl. land cost) - PV	**$190**	**($430)**	**($310)**	**($450)**	**($330)**	**($36**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	-

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

Financial Testing Summary - **Non-Profit Sector**, 100% Affordable						
Moderate Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Open
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comm Lo
Total Cost (Soft + Hard)	$720	$600	$590	$550	$540	$51
Hard Costs	$420	$410	$410	$380	$380	$41
Soft Costs	$290	$190	$180	$170	$160	$10
Developer Equity Investment Required	$180	$150	$150	$140	$130	$13
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	no	no	no	no	n
Total Funding Source (Condo Revenue + Perm Loan)	$1,010	$170	$290	$170	$280	$17
Revenue Received at Project Completion (Condos) Before Disposal of Re	$1,010	$0	$0	$0	$0	$0
Permanent Loan Eligible	$0	$170	$290	$170	$280	$17
Sufficient to cover construction loan?	yes	no	no	no	no	n
Gap	$0	($270)	($150)	($240)	($130)	($2
Total developer return after paying off all costs (no land cost*) - PV	**$200**	**($300)**	**($210)**	**($300)**	**($210)**	**($2**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	-
Total developer return after paying off all costs (Incl. land cost) - PV	**$130**	**($370)**	**($290)**	**($390)**	**($290)**	**($3**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	-

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

Financial Testing Summary - **Non-Profit Sector**, 100% Affordable						
Weak Market	100% Market Condo (Benchmark	No Incentives + Full PLG Process		Pre-Zoned + No Incentives		Open
	Commercial Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Comm Lo
Total Cost (Soft + Hard)	$690	$580	$570	$530	$520	$51
Hard Costs	$450	$420	$420	$390	$390	$42
Soft Costs	$240	$160	$150	$140	$130	$9
Developer Equity Investment Required	$170	$150	$140	$130	$130	$13
Are Land Value and Purchaser Deposits Sufficient to Cover Equity Required?	yes	no	no	no	no	n
Total Funding Source (Condo Revenue + Perm Loan)	$820	$160	$270	$150	$250	$16
Revenue Received at Project Completion (Condos) Before Disposal of Re	$820	$0	$0	$0	$0	$0
Permanent Loan Eligible	$0	$160	$270	$150	$250	$16
Sufficient to cover construction loan?	yes	no	no	no	no	n
Gap	$0	($280)	($160)	($240)	($140)	($2
Total developer return after paying off all costs (no land cost*) - PV	**$90**	**($300)**	**($220)**	**($300)**	**($210)**	**($2**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	-
Total developer return after paying off all costs (Incl. land cost) - PV	**$80**	**($310)**	**($230)**	**($310)**	**($220)**	**($2**
Federal Grant Required to Break Even (% of Hard + Soft Cost)	-	-	-	-	-	-

*Note that in some instances where land value has been capitalized by an existing use, there may still be a book value to land that must be acknowledged. This will be variable from site to

es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants only		Federal Grants and Municipal Incentives	
an	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$500	$490	$430	$420	$600	$590	$430	$420
	$370	$370	$340	$340	$370	$370	$340	$340
	$130	$120	$90	$80	$240	$230	$90	$80
	$120	$120	$110	$110	$150	$150	$110	$110
	yes	yes	yes	yes	yes	yes	yes	yes
	$230	$390	$230	$370	$230	$390	$230	$370
	$0	$0	$0	$0	$0	$0	$0	$0
	$230	$390	$230	$370	$230	$390	$230	$370
	no	yes	no	yes	yes	yes	yes	yes
	($140)	$0	($90)	$0	$0	$0	$0	$0
)	**($190)**	**($70)**	**($160)**	**($40)**	**$0**	**$0**	**$0**	**$0**
	-	**-**	**-**	**-**	**62%**	**36%**	**47%**	**12%**
)	**($360)**	**($250)**	**($350)**	**($220)**	**$0**	**$0**	**$0**	**$0**
	-	**-**	**-**	**-**	**101%**	**75%**	**103%**	**68%**

ble from site to site.

es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants only		Federal Grants and Municipal Incentives	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$510	$500	$470	$460	$590	$580	$470	$460
	$410	$410	$380	$380	$410	$410	$380	$380
	$100	$90	$90	$90	$180	$180	$90	$90
	$130	$120	$120	$120	$150	$150	$120	$120
	no	no	no	no	yes	yes	yes	yes
	$170	$290	$170	$280	$170	$290	$170	$280
	$0	$0	$0	$0	$0	$0	$0	$0
	$170	$290	$170	$280	$170	$290	$170	$280
	no	no	no	no	yes	yes	yes	yes
)	($210)	($90)	($190)	($70)	$0	$0	$0	$0
)	**($240)**	**($160)**	**($240)**	**($150)**	**$0**	**$0**	**$0**	**$0**
	-	**-**	**-**	**-**	**71%**	**51%**	**65%**	**41%**
)	**($320)**	**($230)**	**($330)**	**($230)**	**$0**	**$0**	**$0**	**$0**
	-	**-**	**-**	**-**	**90%**	**70%**	**88%**	**64%**

ble from site to site.

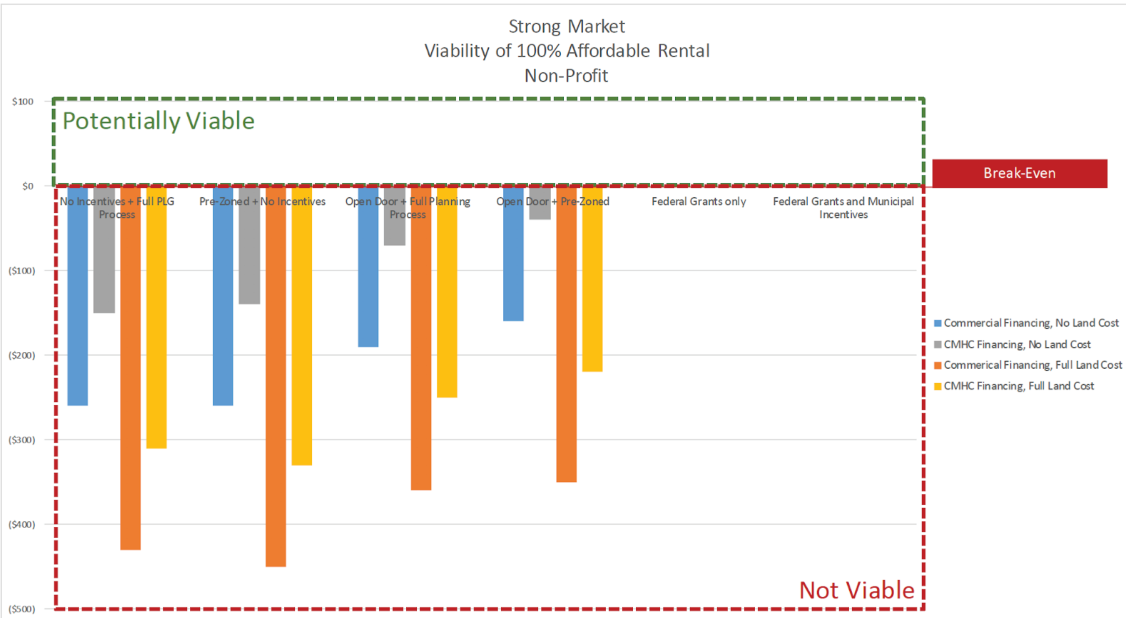
es	Open Door + Full Planning Process		Open Door + Pre-Zoned		Federal Grants only		Federal Grants and Municipal Incentives	
oan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan	Commercial Loan	CMHC Loan
	$510	$500	$470	$460	$570	$570	$470	$460
	$420	$420	$390	$390	$420	$420	$390	$390
	$90	$80	$80	$70	$150	$140	$80	$70
	$130	$130	$120	$120	$140	$140	$120	$120
	no	no	no	no	yes	yes	yes	yes
	$160	$260	$150	$250	$160	$260	$150	$250
	$0	$0	$0	$0	$0	$0	$0	$0
	$160	$260	$150	$250	$160	$260	$150	$250
	no	no	no	no	yes	yes	yes	yes
)	($220)	($110)	($200)	($90)	$0	$0	$0	$0
)	**($260)**	**($170)**	**($250)**	**($170)**	**$0**	**$0**	**$0**	**$0**
	-	**-**	**-**	**-**	**73%**	**54%**	**68%**	**46%**
)	**($270)**	**($180)**	**($260)**	**($180)**	**$0**	**$0**	**$0**	**$0**
	-	**-**	**-**	**-**	**75%**	**57%**	**71%**	**49%**

ble from site to site.

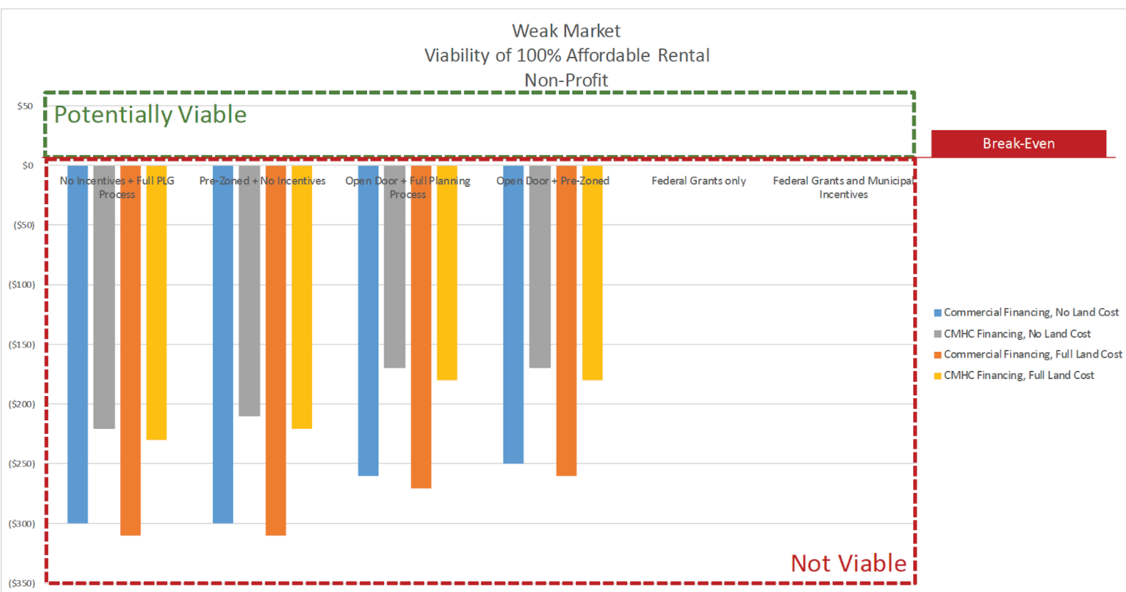
Federal Grants Required to Break Even - Moderate Market			
		No Other Incentives	With Municipal Incentives
Commercial Financing, No Land Cost	$/SF	$420	$300
	$/Unit	$367,000	$262,000
CMHC Financing, No Land Cost	$/SF	$300	$190
	$/Unit	$262,000	$166,000
Commercial Financing, Full Land Cost	$/SF	$530	$410
	$/Unit	$464,000	$359,000
CMHC Financing, Full Land Cost	$/SF	$410	$290
	$/Unit	$359,000	$254,000

Federal Grants Required to Break Even - Strong Market			
		No Other Incentives	With Municipal Incentives
Commercial Financing, No Land Cost	$/SF	$370	$200
	$/Unit	$324,000	$175,000
CMHC Financing, No Land Cost	$/SF	$210	$50
	$/Unit	$184,000	$44,000
Commercial Financing, Full Land Cost	$/SF	$600	$440
	$/Unit	$525,000	$385,000
CMHC Financing, Full Land Cost	$/SF	$440	$280
	$/Unit	$385,000	$245,000

Federal Grants Required to Break Even - Weak Market			
		No Other Incentives	With Municipal Incentives
Commercial Financing, No Land Cost	$/SF	$410	$320
	$/Unit	$359,000	$280,000
CMHC Financing, No Land Cost	$/SF	$310	$210
	$/Unit	$271,000	$184,000
Commercial Financing, Full Land Cost	$/SF	$430	$330
	$/Unit	$376,000	$289,000
CMHC Financing, Full Land Cost	$/SF	$320	$220
	$/Unit	$280,000	$192,000



Strong Market
Viability of 100% Affordable Rental
Non-Profit
Potentially Viable
Break-Even
Not Viable
$100
$0
($100)
($200)
($300)
($400)
($500)
No Incentives + Full PLG Process
Pre-Zoned + No Incentives
Open Door + Full Planning Process
Open Door + Pre-Zoned
Federal Grants only
Federal Grants and Municipal Incentives
Commercial Financing, No Land Cost
CMHC Financing, No Land Cost
Commerical Financing, Full Land Cost
CMHC Financing, Full Land Cost



Weak Market
Viability of 100% Affordable Rental
Non-Profit
Potentially Viable
Break-Even
Not Viable
$50
$0
($50)
($100)
($150)
($200)
($250)
($300)
($350)
No Incentives + Full PLG Process
Pre-Zoned + No Incentives
Open Door + Full Planning Process
Open Door + Pre-Zoned
Federal Grants only
Federal Grants and Municipal Incentives
Commercial Financing, No Land Cost
CMHC Financing, No Land Cost
Commerical Financing, Full Land Cost
CMHC Financing, Full Land Cost

OVERALL CONCLUSIONS

1. Private for profit developers can be partners in affordable housing development with grant support;

2. Not for Profit developers, both public and private, are best positioned to deliver affordable housing through mixed development, as well as added community benefit where project surpluses allow;

3. 100% affordable developments, by Not For Profits or for profit developers are uneconomic and require deep grant support.

OVERALL CONSIDERATIONS

- Development by owner / developers of tower sites should be encouraged. Substantial potential returns can make affordable delivery viable, in addition to expanded community benefit as surpluses allow.
- Pre-zoning should take place in moderate and weak market zones to entice development and reduce risk.
- Where possible, pre-zoning should be conditional on target outcomes, such as 30% affordability delivery and other positive community impacts as appropriate.
- Access to CMHC lending to support not for profit development should be expanded.
- Federal grants should be made available to projects to secure viability where support is required. In private sector projects, grants should be appropriately calibrated to not facilitate excessive returns.
- The Not For Profit development sector should be supported and expanded through capacity building, access to working capital and other tools.
- Existing Not For Profits should be encouraged to develop held assets. Large scale municipal Not For Profit housing companies should be encouraged to directly develop sites as mixed income developments to expand retained earnings for stock reinvestment and related community benefit.
- Not For Profits should be encouraged in the acquisition of sites where new development can occur, and older assets refurbished.
- Partnerships combining municipal investment and social purpose development should be encouraged, such as transportation, public realm and community service programming investments in tandem with Not For Profit affordable developments.
- To fully leverage ‘tower in the park’ sites, bundling CMHC repair and renewal and new development programs to achieve comprehensive renewal should be considered.

3. RECOMMENDATIONS

The policy research and case study scenario testing described above demonstrates several new learnings when considering how to enable affordable housing redevelopment in tower neighbourhoods. The analysis examines the impacts of:

- Direct support of projects by the National Housing Strategy & Co-Investment Fund;
- Project delivery model (For Profit vs. Not For Profit);
- Municipal zoning changes and streamlined municipal development review processes;
- Additional complementary supports that may be effective in creating more affordable infill housing and additional investments toward comprehensive Tower Renewal.

RECOMMENDATIONS

This study examined the impact of federal supports, project delivery model, and municipal planning frameworks in delivering 'social impact developments' that provide affordable housing developments, and where possible, deliver additional community benefits toward goals of achieving 'complete communities'.

The ability to achieve community benefit is strictly dependent on the revenue surpluses available following delivery of the core housing product. The study first examines the conditions in which the primary community benefit can be achieved – affordable housing – and the availability of additional surpluses following affordable housing delivery.

Through an examination of various market zones where development may occur (strong, moderate, and weak), the method of delivery (for profit and not-for-profit), and the mix of affordability (30% and 100%), this study found that:

- While private for profit developers can be partners in affordable housing development with grant support, their ability to deliver additional community benefit is limited, particularly in weaker market zones;
- Not for profit developers, both public and private, are best positioned to deliver affordable housing through mixed development, as well as additional community benefits where project surpluses allow. In stronger markets this can be delivered without grant support.
- 100% affordable developments, by not for profits or for profit developers are uneconomic and require deep grant support.

Further, the study found that:

- Where developments occur on lands already owned by the developer – such as tower in the park sites – and land costs are avoided, project revenues can increase substantially in both for profit and not for profit developments. These sites in strong and moderate market zones present the best opportunity for development funded community benefits.

This study examined the conditions where the delivery of affordable housing, and where possible, additional community benefits are viable. It also concludes that 'tower in the park' sites present an untapped resource for the delivery of both social impact development and broader community benefit. Through leveraging held land values, working with Not For Profit developers, utilizing CMHC tools, and where possible, partnering with municipalities for complementary investment, significant strides can be made in delivering new affordable housing and broader social impact. Through its leadership as the centre of the National Housing Strategy, CMHC is in a position to lead in creating the conditions to turn this potential into reality.

Therefore, the study recommends:

1. **Grow the Not for Profit Development Industry:** Support the not for profit development sector in capacity building to engage in mixed-income 'social impact' developments. Not for profit developments provide the greatest potential for housing delivery and community benefit and presents efficient use of public support where required. A strong and capable not for profit development ecosystem will result in greater delivery of social impact development toward achieving National Housing Strategy Goals;

2. **Leverage Sites Already Owned to Avoid Land Costs:** Encourage owner / developers to develop held lands where appropriate, as these sites yield the greater financial capacity for affordable housing delivery and additional community benefit. Tower in the Park sites present substantial land banks where this is possible. Pre-zoning of tower in the park sites, particularly in moderate and weak market zones can remove perceived risks and signal development activity where mixed housing and community benefits are needed;

3. **Pre-Zone Sites Where 'Social Impact Development' is Desirable with 'Conditional' Zoning:** Provincial Governments can support affordable housing and community benefits by creating a framework for municipalities to engage in conditional zoning – where as-of-right development can occur on condition of affordability and other criteria, such as energy performance. This will remove obstacles in achieving social impact development, pairing 'social impact developers' with ready to go sites;

4. **Encourage Municipal Partnerships with Not for Profit Developers to Create Coordinated Investments:** Creating community benefits beyond what is possible through development surpluses of an individual project will require municipal partnerships. This is particularly crucial in weaker market zones where surpluses for additional investments on a project basis are constrained. Coordinated investments in public realm, transportation, energy production and community services can complement not for profit development on a site by site basis;

5. **Calibrate National Housing Strategy Tools for Maximum District Impact:** CMHC financing and targeted grants are key in achieving Social Impact Developments. Calibrating New Development Stream financing with Renewal and Renewal Stream financing could facilitate comprehensive reinvestment in 'tower in the park' sites toward comprehensive Tower Renewal.

APPENDIX A: ADVISORY GROUP

ADVISORY GROUP LIST

- Michelle German, WoodGreen
- Jenny McMinn, Urban Equation
- Alex Spiegel, Windmill Developments
- Greg Suttor, Wellesley Institute
- Nadia Lawrence, Housing Development, City of Toronto Housing Secretariat
- Sean Botham, Development Manager, City Housing Hamilton
- Darren Cooney, Market Housing Policy, Province of Ontario
- Chris Higgins, Green Building Planner, City of Vancouver

ADVISORY GROUP ENGAGEMENT AND INPUT:

Phase 1

A series individual conversations/consultations were conducted via phone call and email with advisory group members. These preliminary conversations proved critical to gain buy-in, provide working knowledge and starting points, understand and reframe the scope of the project as well as refine and adapt the methodology and case study modelling.

Phase 2

Preliminary findings and recommendations were shared with all members of the advisory group. Feedback and comments were used to frame additional case study modelling as well as the final policy recommendations.

ENABLING COMPLETE COMMUNITIES
ADVISORY GROUP TERMS OF REFERENCE

This Advisory Group will provide review and input towards the Enabling Complete Communities Research Project. Primarily through teleconferencing, the Advisory Group will review, comment, improve and clarify research that identifies retrofit product gaps.

TIME COMMITMENT

The time commitment required of this Advisory Group will be periodic teleconference calls and emails over the span of 9 months. (July 2019 to April 2020).

PROJECT DESCRIPTION

Identifying policy solutions that deliver community benefits through tower redevelopment projects.

This research project will showcase policy solutions that assist governments in enabling community investment and deliver comprehensive community benefits through tower redevelopment projects. The aim of this project is to understand current processes and policies in BC and Ontario, and identify the challenges, barriers and opportunities in securing community investment through tower infill redevelopment in partnership with the federal government through NHS co-investment. This project will examine how investments made possible through the NHS can be leveraged to support broader neighbourhood transformation through coordinated co-investment between the federal government and municipalities.

The aim of the project is to recommend measures which will help tie community investments to redevelopment on tower sites, thereby expanding the impact of NHS investment in specific building and retrofit projects through co-investment. It is anticipated that British Columbia will demonstrate a more enabling policy environment and that several policies can be applied in Ontario. Potential frameworks which will be considered include community development permit systems, conditional zoning, a community investment framework, alternative built form guidelines, etc.

SCOPE

This study places focus on the optimization of infill projects that meet or surpass NHS criteria. Optimizing the process for private sector development is outside the scope of this report.
Highlight federal, provincial and municipal policies that support:

1. Building affordable housing as infill on tower sites
2. Enabling Site-Wide/Campus-wide Transformation (complete communities)

OBJECTIVES

Supporting CMHC reaching its 2030 Goal through Social Purpose Development via:

1. Supporting the "Housing Supply Challenge" of affordable, climate resilient housing;
2. Accelerating and optimizing housing Repair and Renewal;
3. Supporting Community Benefits such as Social Purposes Real Estate and Local Employment;
4. Supporting District planning toward low-energy systems; optimized service delivery and integrated communities (Etc)

METHODOLOGY

- Create a "model case study example of an ideal tower redevelopment project" to use as a base case to test solutions.
- Create a summary of existing policies that enable or hinder Tower redevelopment, including the City Toronto, City of Vancouver and City of Hamilton.
- Test existing policies against the model case study to identify the policies that might best encourage site-wide Tower Renewal, enable NHS investment and realised public policy goals around creating complete communities
- A set of draft policy recommendations will be refined and developed into a final report. The final report will contain the case study, its analysis, jurisdictional reviews and the suite of recommended policies and/or programs.
- Advisory Group input at each research stage

OUTPUT(S):

- Develop a Final Report with policy recommendations for all levels of government
- ½ Day Workshop with housing stakeholders to share research findings

APPENDIX B: CASE STUDY MODELLING: ASSUMPTIONS, TABLES & FINDINGS

Centre for Urban Growth and Renewal

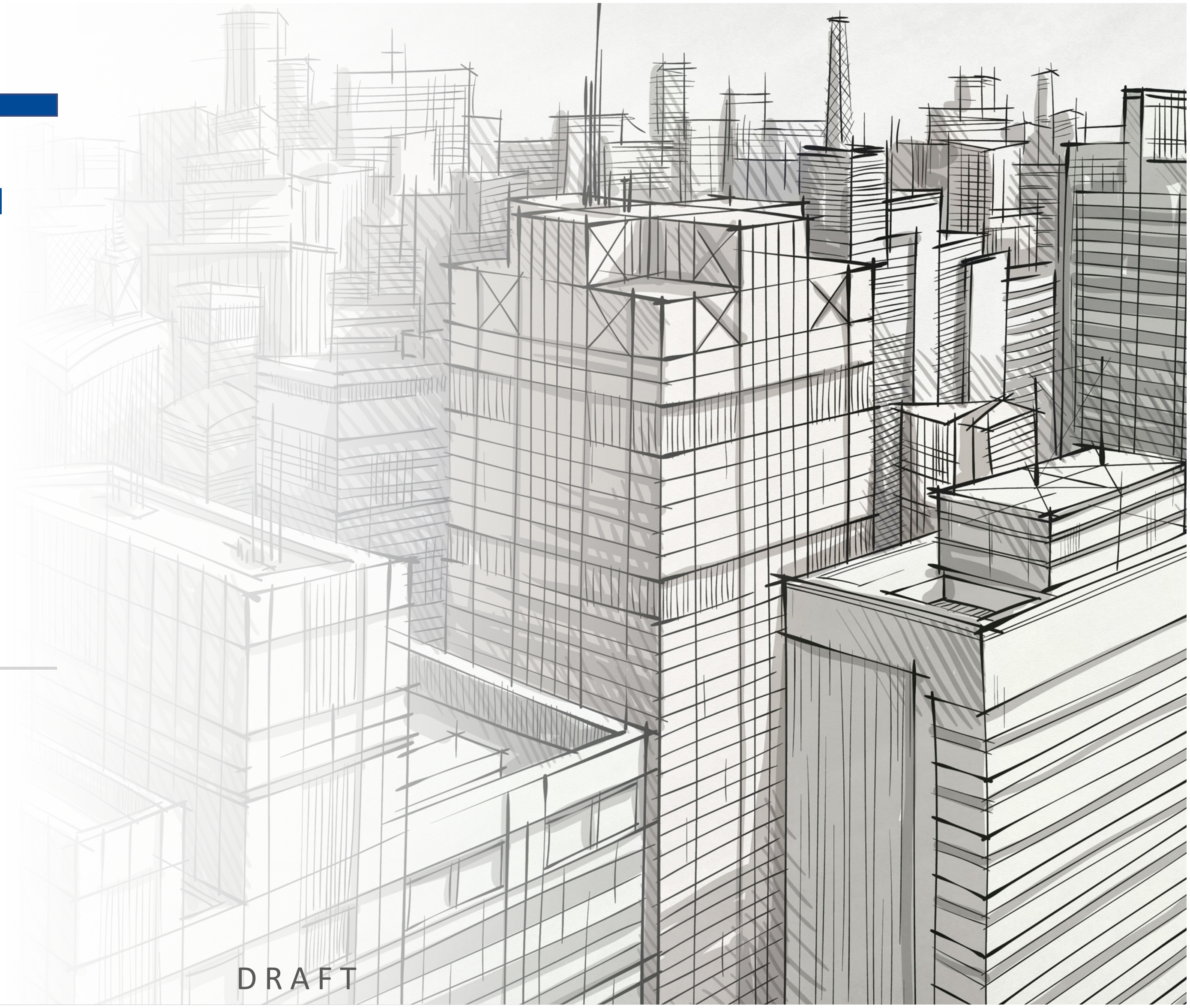
Financial Analysis of Infill Development Scenarios

CMHC Housing Lab

May 2020

nblc

Trusted advisors since 1976.



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Introduction

Under the CMHC Housing Lab program, the Centre for Urban Growth and Renewal (CUG+R) is undertaking an analysis of the impact of CMHC programs as it relates to supporting infill developments on the under-utilized "tower-in-the-park" style apartment sites. These sites are the focus of the study due to:

- Their prevalence across Canada, owned by both private or non-profit entities.
- Their suitability for high density development (context, servicing, sufficient size, compatible uses, shared amenity or parking with existing structure)
- The potential savings on land costs that can be leveraged through infill development, which could be significant in strong market areas.

NBLC has been retained by the CUG+R to test the viability of infill developments of affordable or mixed income projects, with or without government support. The mixed income scenario tested in this study is assumed to have 30% of GFA as affordable rental, and 70% as market condominium apartments. The government supports tested include:

- Municipal incentives:
  - Pre-zoning properties
  - Programs like "Open Door" offered by the City of Toronto
- Federal incentives:
  - Low cost loans offered under the National Housing Strategy
  - Capital grants

In this study, we also demonstrate the impact of government incentives on the viability of development based on typical considerations of either private sector or non-profit developers.

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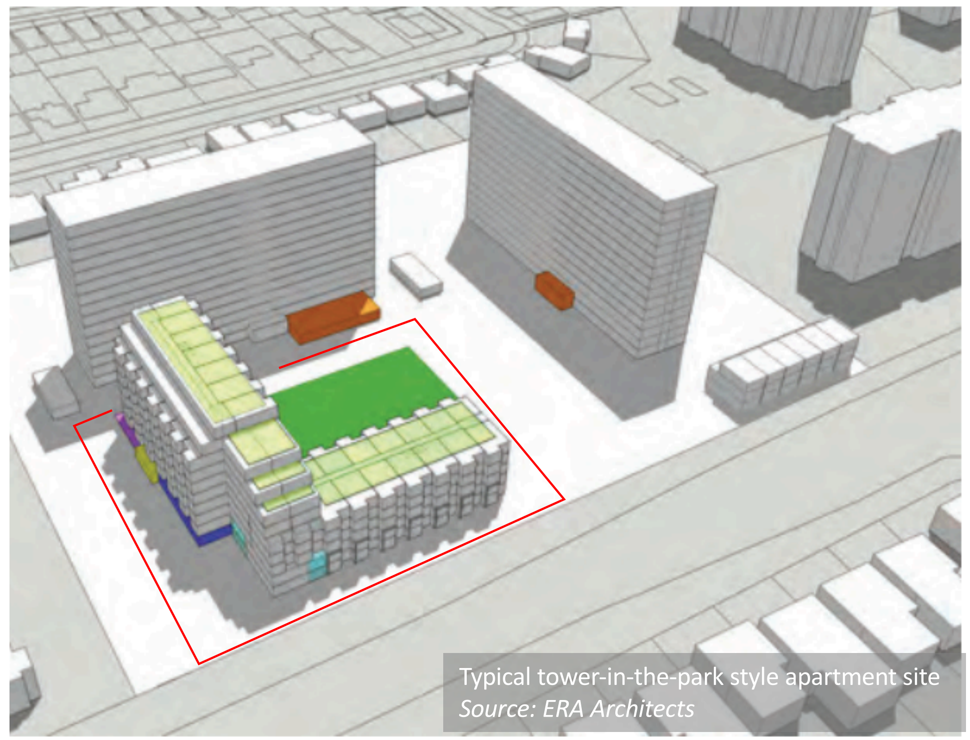
Built Form Concept

A prototypical development was tested in three residential real estate markets:

- A strong market, represented by Central Toronto
- A moderate market, represented by Etobicoke Centre
- A weak market, represented by Scarborough East

The prototypical built form tested was as follows:

Site Area	1.0 acre
Gross Floor Area	175,000 square feet
Building Height	10 storeys
Parking Ratio - Strong	0.5
Parking Ratio – Moderate	0.8
Parking Ratio - Weak	1.0
Average Unit Size	725
Unit Yield (@83% Efficiency)	200



Typical tower-in-the-park style apartment site
Source: ERA Architects

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Key Assumptions – Incentive Assumptions

The incentives tested in this study include municipal incentives and federal incentives, as well as the stacking of these incentives.

Municipal Incentives	Federal Incentives
Pre-zoning Properties, reflected in the testing through:	- Low cost financing terms
- Approval timeline is reduced from 4 years to 2.5 years	Federal Grants
- Consultant fees are reduced from 16% to 15.65% of hard costs.	- In mixed-income models, a federal grant that equals to 15% of hard and soft costs is assumed
"Open Door" / CIP style Incentives, including:	- In the 100% affordable rental models, we calculate the estimated amount of federal grants required to make a project break-even
- Waived planning application & building permit fees, development charges, and cash-in-lieu of parkland dedication for the affordable units.	

In the subsequent sections of this review, viability indicators are presented for the following scenarios:

No Incentives	Pre-Zoning Only	Open Door Incentives Only	Pre-Zoning + Open Door Incentives	Federal Grants, No Other Incentives	Municipal Incentives + Federal Grants

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Key Assumptions - Revenue

The following revenue inputs have been used in this conceptual modeling:

Market Condominium	Strong Market Area	Moderate Market Area	Weak Market Area
Condominium Pricing ($psf)	$1,200	$950	$750
Parking Revenue (per space)	$80,000	$60,000	$40,000
Absorption Rate (unit/month)	20	15	10
Revenue Inflator (per year)	4.0%	3.5%	3.0%

Affordable Rental: 80%MMR	Strong Market Area (Central Toronto)	Moderate Market Area (Etobicoke Centre)	Weak Market Area (Scarborough East)
Average Rent* (per month)	$1,763	$1,304	$1,071
Revenue Inflator	4.0%	3.5%	3.0%
Capitalization Rate	3.75%	4.00%	4.25%

**weighted average based on a suite mix of 40% one-bedroom, 40% two-bedroom, and 20% three-bedroom*

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Key Assumptions – Hard Costs

nblc

The following are a set of hard costs assumed in the modeling:

Hard Costs	Assumed Inputs
Above Grade Construction ($/sf)	$238
Underground Parking Construction ($/sf)	$148
Service Connection Costs (/unit)	$500
Landscaping and Hardscaping (/unit)	$1,000
Demolition & Site Prep ($/sf of site area)	$15
Contingency Factor (% of hard costs)	15%
Cost Inflator, per annum	5%

Key Assumptions – Soft Costs

nblc

The following are a set of soft costs assumed in this modeling:

Government Fees	Inputs
Rezoning – Base Fee	$43,561
Rezoning – Additional (/sq.m)	$9.06
Site Plan Application – Base Fee	$22,225
Site Plan – Additional (/sq.m)	$3.91-$15.67
Consent to Sever	$5,990
Plan of Condominium - Base	$9,801
Plan of Condo. – Additional (per unit)	$27.11
Building Permit – Unit Fee (/unit)	$52.08
Building Permit – Index Fee (/sq.m)	$17.16
Development Charges – 1B and Bach	$30,656
Development Charges – 2B and larger	$46,963
Educational Development Charges	$1,793
Community Benefit Charges (est. % of LV)	15%

Other Soft Costs	Inputs
Consultants (% of Hard Costs)	6.5%
Construction Management (% of Hard Costs)	3.0%
Development Management (% of Hard Costs)	3.5%
Insurance (% of Hard Costs)	1.0%
Marketing (% of Hard Costs)	2.5%
Sales Commission (% of Revenue)	2.5%
Construction Loan Interest - Commercial	4.0%
Construction Loan Interest - CMHC	2.5%
Lender’s Administration Fee (% of all costs)	0.8%
HST Rate	13%

Key Assumptions – Permanent Financing

nblc

In the non-profit scenarios, it is assumed that the developer will obtain permanent financing to pay off the construction loan. The amount of permanent financing the project can obtain is estimated based on the following parameters:

	Commercial Lender	CMHC Financing
Interest Rate	4.0%[1]	2.5%[1]
Amortization (Years)	30	40[2]
Min. Debt Coverage Ratio	1.25	1.10[2]
Max. Loan-to-Cost Ratio (Non-Profit)	75%	95%

1. Interest rate fluctuates, the rates tested are conservative under current market conditions.
2. CMHC could allow for a maximum of 50-year amortization and a minimum of 1.0 DCR, a 40-year amortization and 1.1 DCR are used in this study to be conservative and to acknowledge the competitive nature of these programs.

Viability Indicator – Private Sector Development

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It is common for developers to measure their expected rate of return as either a percentage of gross revenue or of total project costs.

For the purposes of this analysis, NBLC's model measures returns for private (for profit) developments using a measure of return on gross revenue.

It is also assumed that the rental portion of a project in mixed-income scenarios would be disposed of at project completion. The value of this asset is estimated by calculating net operating income and applying a capitalization rate.

Typically, a private developer's accepted profit margin can range from 12% to 20%. This study assumes that a project could be viable for a private for-profit developer if the profit margin is 12% or greater.

Private Sector Viability Indicator

	Total Revenue (condominium sales + rental unit disposition)
–	Hard & Soft Costs
–	Land Costs
=	Project Return
	Profit Margin (%): Project Return/Total Revenue

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Viability Indicator – Non-Profit Sector Development

For the non-profit sector, we assume that a project is viable if the revenue it generates can cover total project costs.

We assume non-profit developers will retain and operate the rental units upon completion, therefore the net revenue from these rental units is equal to the amount available to service a permanent loan.

In mixed income projects, total revenue would be the sum of condominium unit sales and permanent loan supported by the rental units. A project is considered viable if the net revenue is at least 0 (break even), and unviable if it is less than 0.

Given that non-profit entities usually have limited access to equity, we also observe and comment on the capacity to meet typical equity requirements. While obtaining a construction loan, the test is whether the deposits from condominium purchasers and value of land combined can satisfy equity requirements. When the construction loan is retired, the test is whether total revenue received by the project can pay off the outstanding construction loan balance.

Non-Profit Sector Viability Indicator

	Total Revenue (condominium sales + permanent loan secured for rental units)
–	Hard & Soft Costs
–	Land Costs (treated as $0 if Non-Profit Owns Land)
=	Net Revenue
Viable: Net Revenue ≥ 0	Not Viable: Net Revenue < 0

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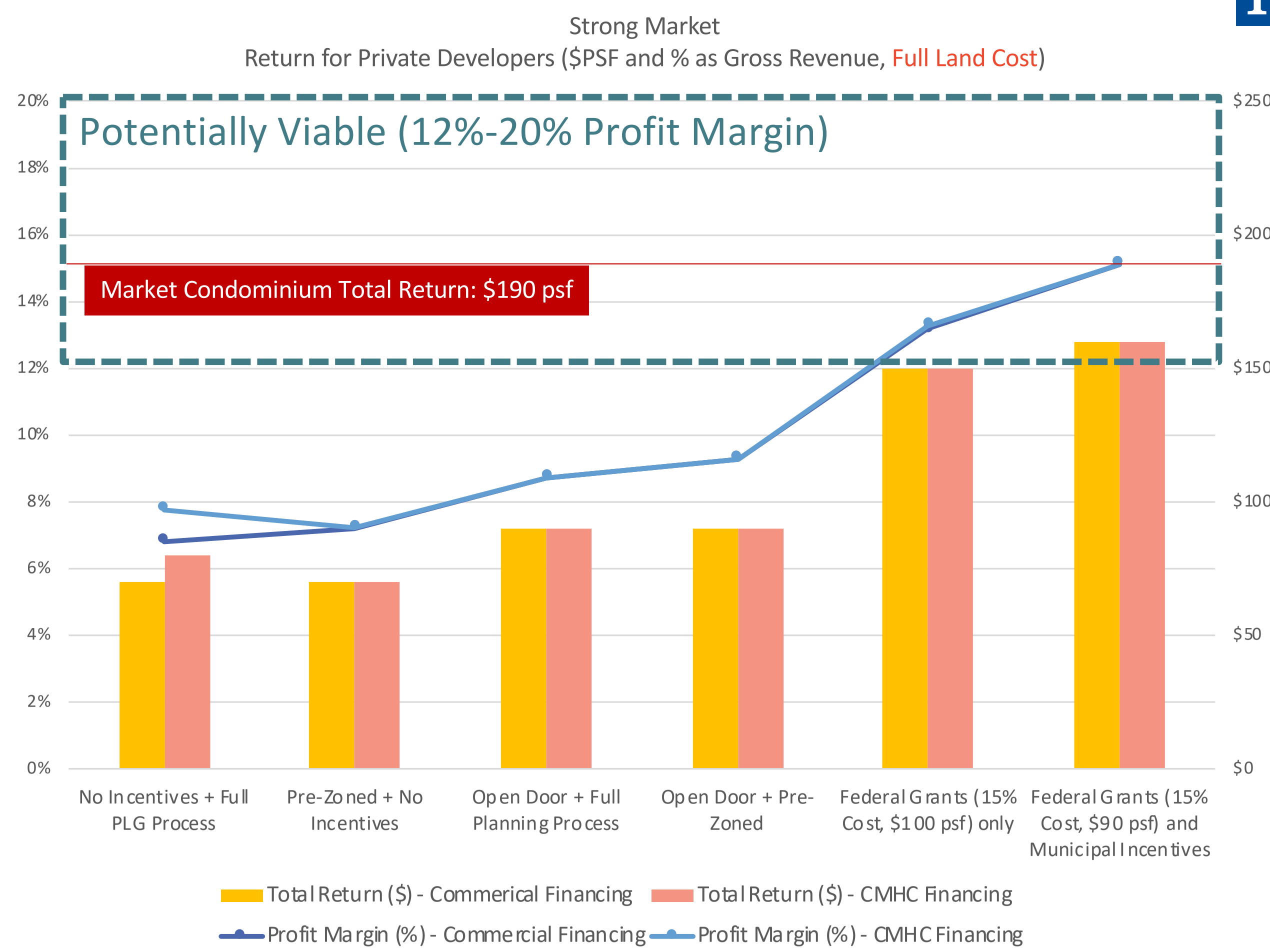
Test Results – Private Sector – Strong Market

In **strong markets**, a market condominium development (with full land costs included) could yield a return of about $190 per square foot (psf) buildable.

With 30% affordable units included, the return is depressed by 63% to $70 psf without any assistance. When both municipal incentives and federal grants are included, returns can be increased to $160 psf.

While the return of a mixed income project cannot match that of a condominium project even with the assumed incentives, the profit margin measured by return as a percentage of gross revenue, could be 13% with the federal grant tested or 15% if both federal grants and municipal incentives are provided. A mixed income project could enjoy cost savings from lower Parkland Dedication CIL (calculated on land value) and taxes which means lower level of investments from the developer.

This result means private developer could find the project profitable with an additional grant tested. Profitability improves further if municipal incentives are stacked, or if land costs are reduced (or historically capitalized).



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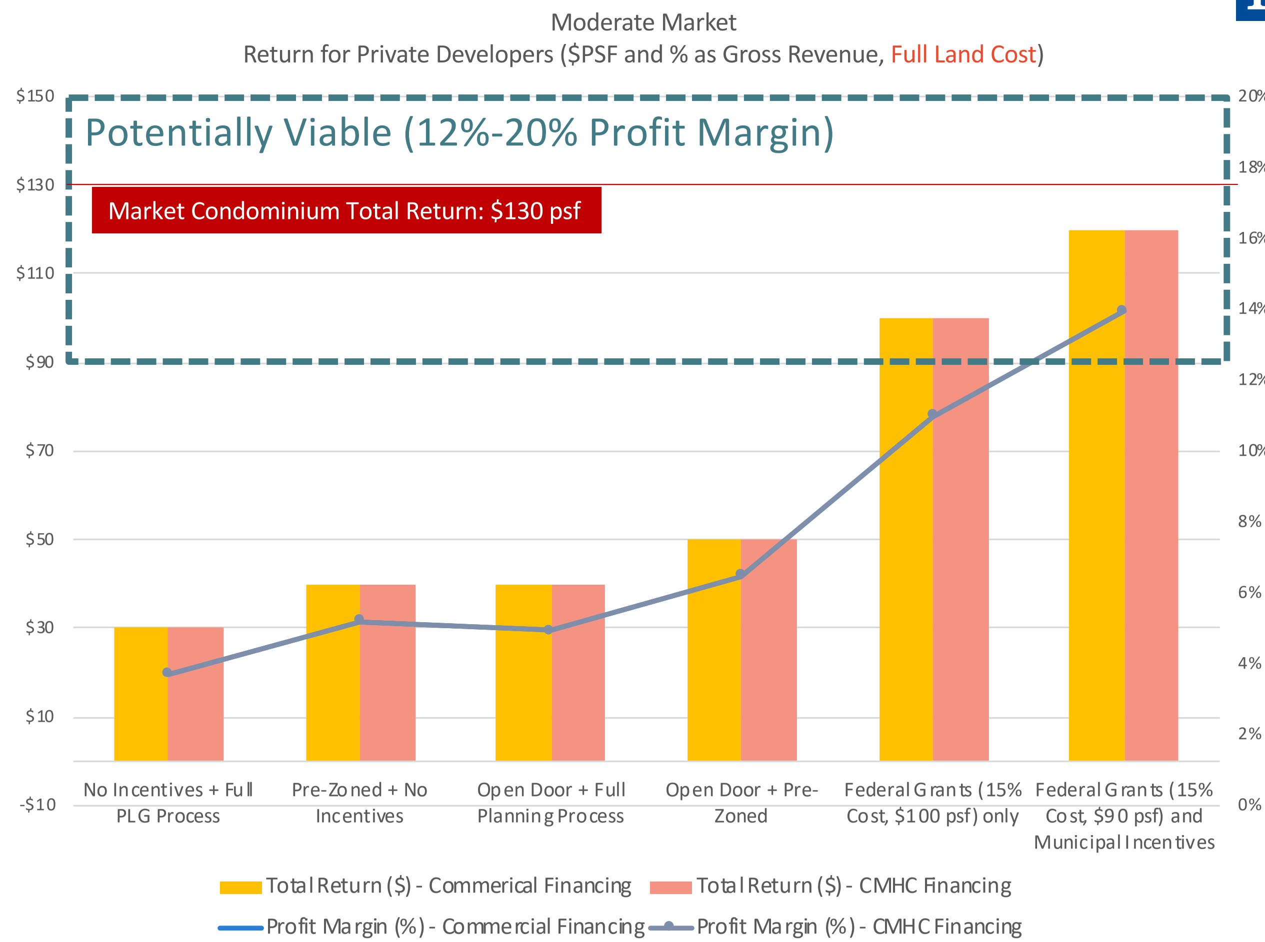
Test Results – Private Sector – Moderate Market

In **moderate markets**, a market condominium development (with full land costs included) could yield a return of about $130 per square foot (psf) buildable.

With 30% affordable units included, the return is depressed by 77% to $30 psf without any assistance. When both municipal and federal incentives are included, returns can be increased to $120 psf.

In the moderate market scenario, both federal grants and municipal incentives are required to make a viable project (measured by a profit margin of over 12%).

Our analysis appears to show that the CMHC low cost loan has a minimal impact when the development is delivered by the private sector. This result is tied back to the assumption that private developer would sell the rental component at project completion, whereas the CMHC financing tend to have more significant impact with its powerful permanent financing terms.



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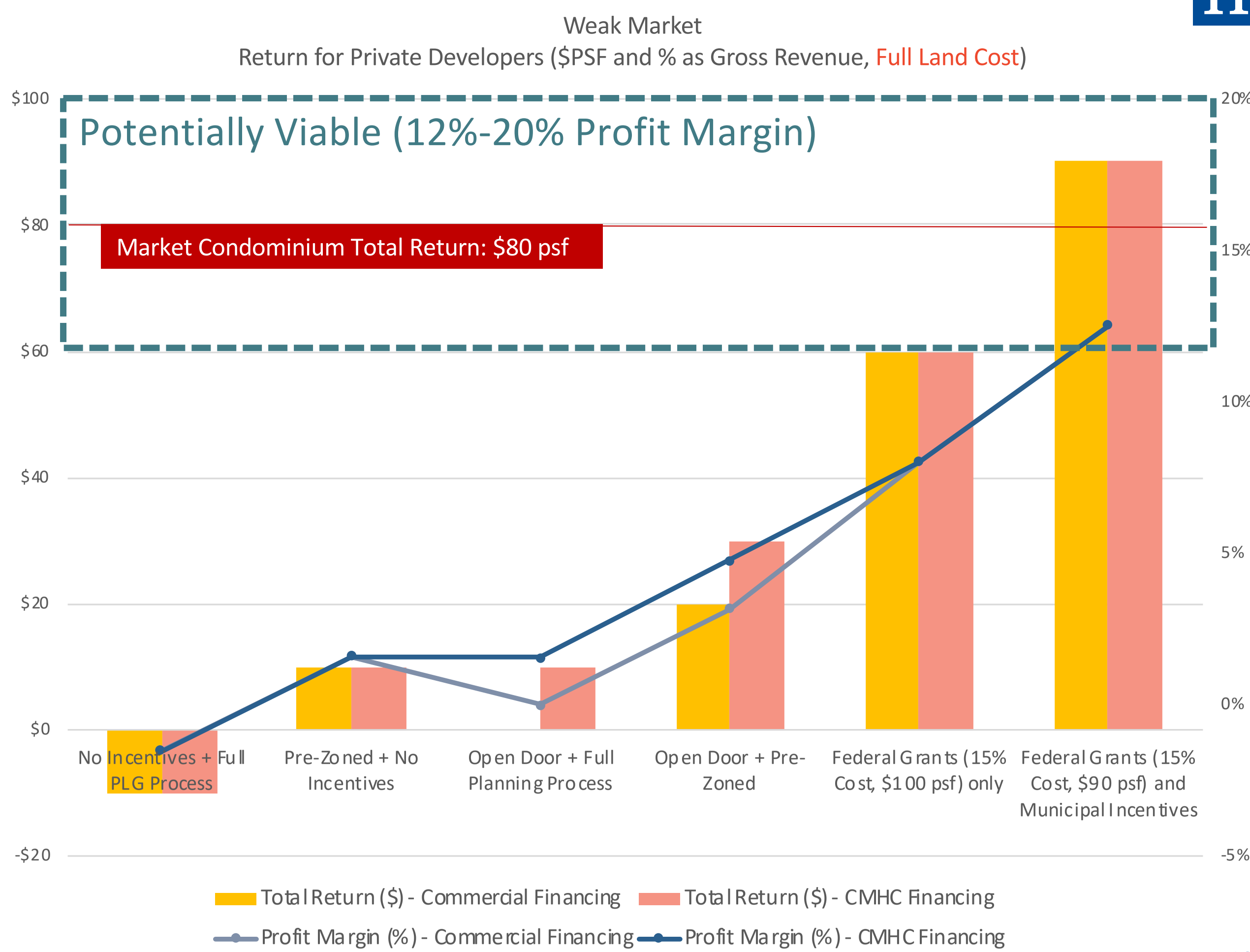
Test Results – Private Sector – Weak Market

In **weak markets**, a market condominium development (with full land costs included) could yield a return of about $80 per square foot (psf) buildable.

With 30% affordable units included, the return is depressed to -$10 psf without any assistance. When both municipal and federal incentives are included, returns can be increased to $90 psf, which is above the return of market condominium development. This means a developer in the weak market area could be incentivized to favour a mixed income development over a market development, if the federal and municipal incentives tested here were made available.

When both federal grants and municipal incentives are offered, profit margins could be pushed to about 13%. If the federal grants and municipal incentives were not both available, the profit margin would fall below 10%; not a viable outcome based on our assumptions.



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Test Results – Non-Profit Sector, Mixed Income – Strong Market

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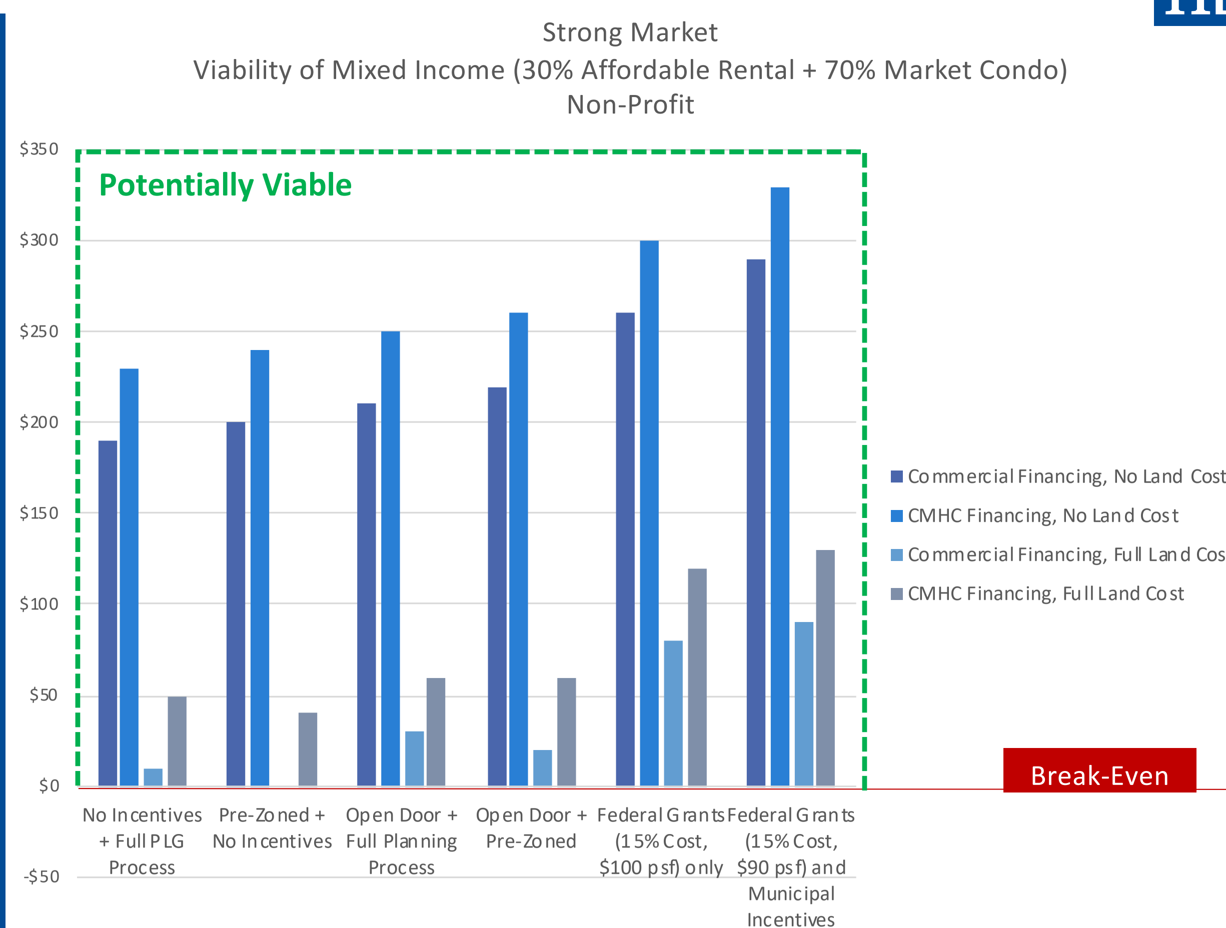
In non-profit scenarios, projects are considered viable if total revenue is equal to, or greater than, total costs.

In **strong markets**, mixed income projects can generally break even, even without incentives. If the non-profit developer already owns land, the development could potentially yield additional net revenue which could be redeployed for other purposes.

If the non-profit does not own land, net revenue would be much smaller. Without any assistance, the project could be at risk of being unviable, especially with conventional financing.

The impact of CMHC financing is quite noticeable in these non-profit scenarios. It significantly bolsters the borrowing capacity of non-profit developers and reduces their equity requirement.

In strong markets, our analysis suggests that the value of land and deposits received from condominium units are high enough to help satisfy equity requirements for a typical construction loan. However, if the developer does not already own land – and with land values highest in strong markets – the non-profit would face a significant challenge in competing with private developers.



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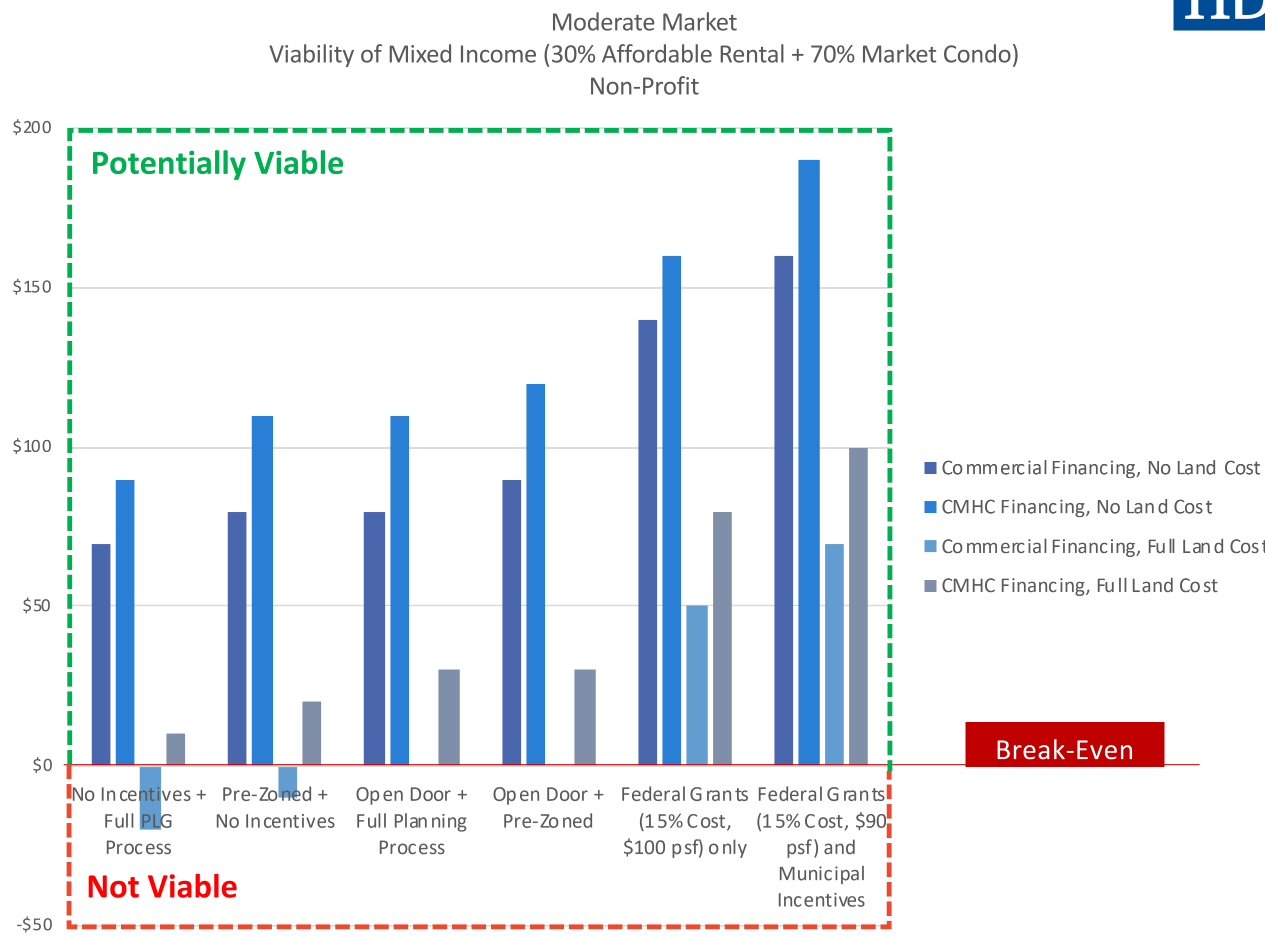
Test Results – Non-Profit Sector, Mixed Income – Moderate Market

In **moderate markets**, mixed income projects can generally break even without incentives if the developer owns land.

If the developer does not own land, the project is unlikely to be viable without incentives. The financial position remains negative even if the project gets pre-zoned by the City. Nonetheless, CMHC financing could be enough to sway viability of projects in these two scenarios.

With Municipal incentives, projects with full land cost can be marginally viable with commercial financing, but viability significantly improves with CMHC financing.

Similar to the strong market situation, our analysis suggests that the land value and purchaser deposits from condominium sales in moderate markets can also be sufficient to satisfy the equity requirement for construction loan. If the developer does not already own land, the equity requirement could pose financial challenges for non-profit developers.



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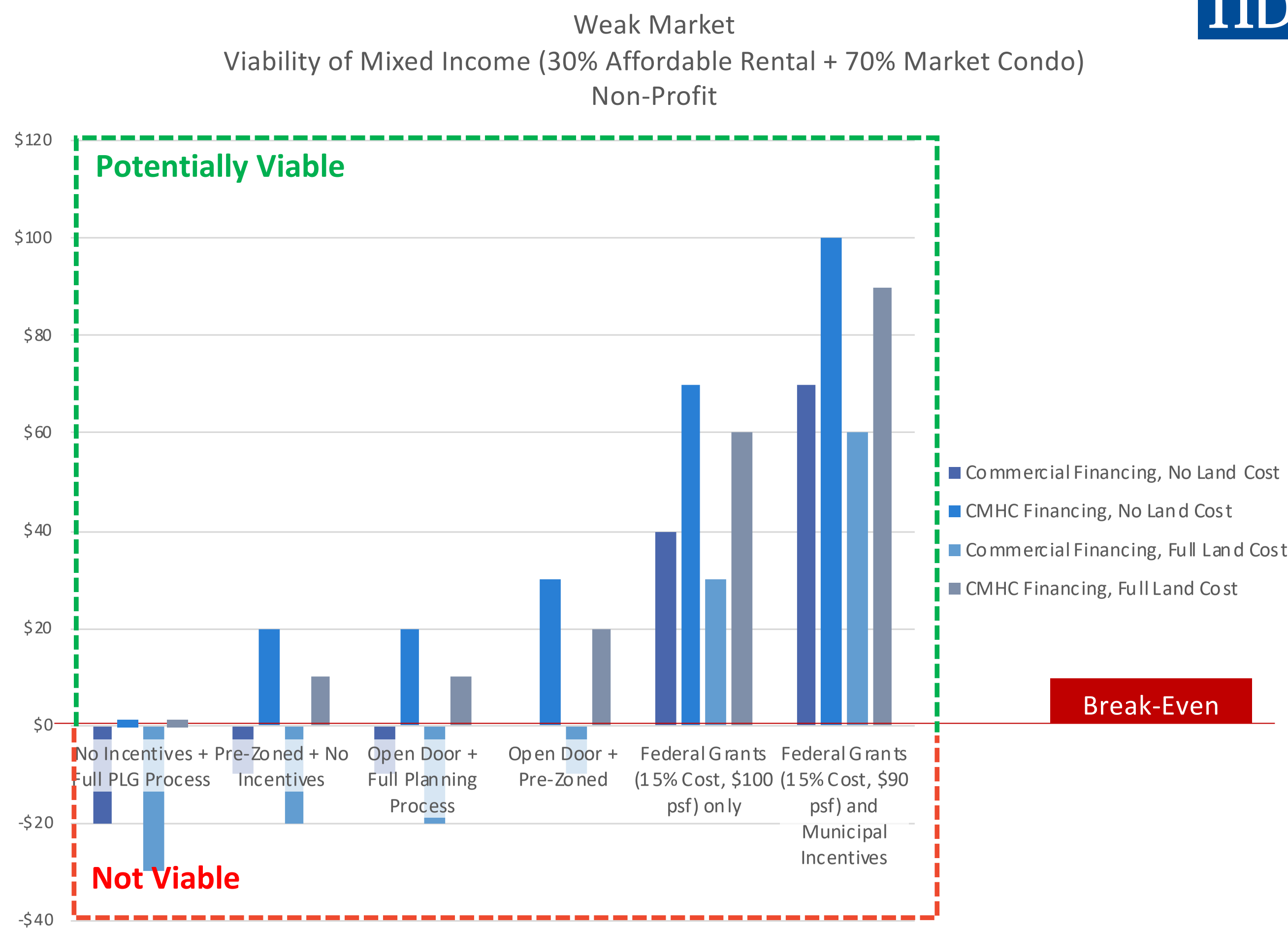
Test Results – Non-Profit Sector, Mixed Income – Weak Market

Weak markets are one area where government support can really make a difference to creating viable mixed income projects. However, it remains true that underlying fundamentals also need to be present to support the sale of market residential units in these locations.

Without any financial assistance, projects appear to not be viable with commercial financing, and marginally viable with CMHC financing. With municipal incentives (pre-zoning and CIP style incentives) alone, projects are still likely to be unviable with commercial financing. It is with CMHC financing stacked with municipal tools when we estimate that these projects can yield positive net revenue. A federal grant as assumed could support a viable project with additional net revenue, with either commercial or CMHC financing. Land values in weak market areas are generally low and make a relatively small difference in improving viability.

In weak markets, the combination of land value and purchaser deposits may be insufficient to satisfy equity requirements for construction financing. This issue could be mitigated with a federal grant that is equivalent to about 15% of total hard and soft project costs.



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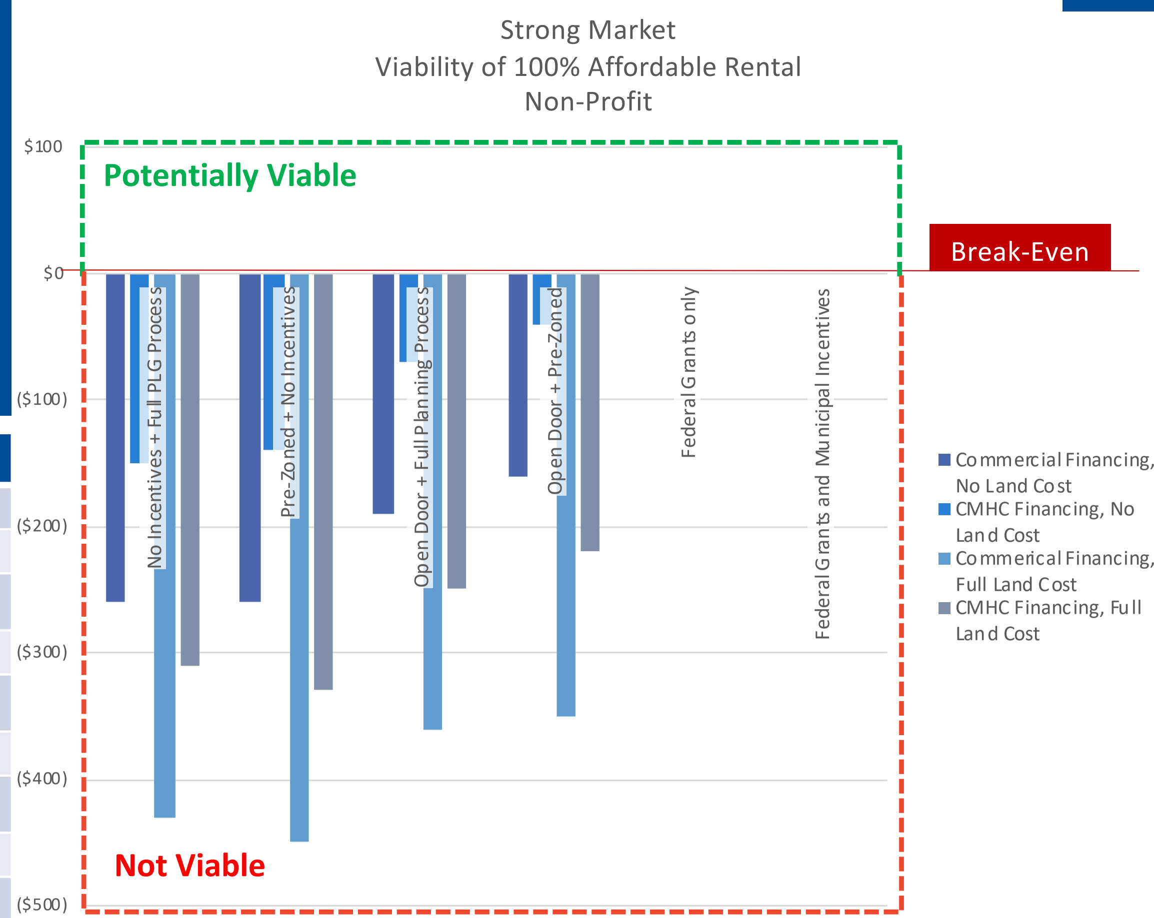
Test Results – Non-Profit Sector, 100% Affordable Rental

In **strong markets**, a fully affordable rental development at 80%MMR is not viable, even with a combination of municipal incentives, CMHC loans, and the removal of land costs. The table below illustrates the amount of additional grant money required to bring the project to a break-even position. If the developer owns land (i.e. no land cost), and CMHC financing and municipal incentives are secured, the grant required would be 12% of project costs (+/- $50 psf). If the developer does not own land and has no municipal incentives or a CMHC loan, the grant required is 100% of the project cost (+/- $600 psf), since the revenue it brings in is just sufficient to cover land value.

Federal Grants Required to Break Even - Strong Market

		No Other Incentives	With Municipal Incentives
Commercial Financing, No Land Cost	$/sf	$370	$200
	$/unit	$324,000	$175,000
CMHC Financing, No Land Cost	$/sf	$210	$50
	$/unit	$184,000	$44,000
Commercial Financing, Full Land Cost	$/sf	$600	$440
	$/unit	$525,000	$385,000
CMHC Financing, Full Land Cost	$/sf	$440	$280
	$/unit	$385,000	$245,000



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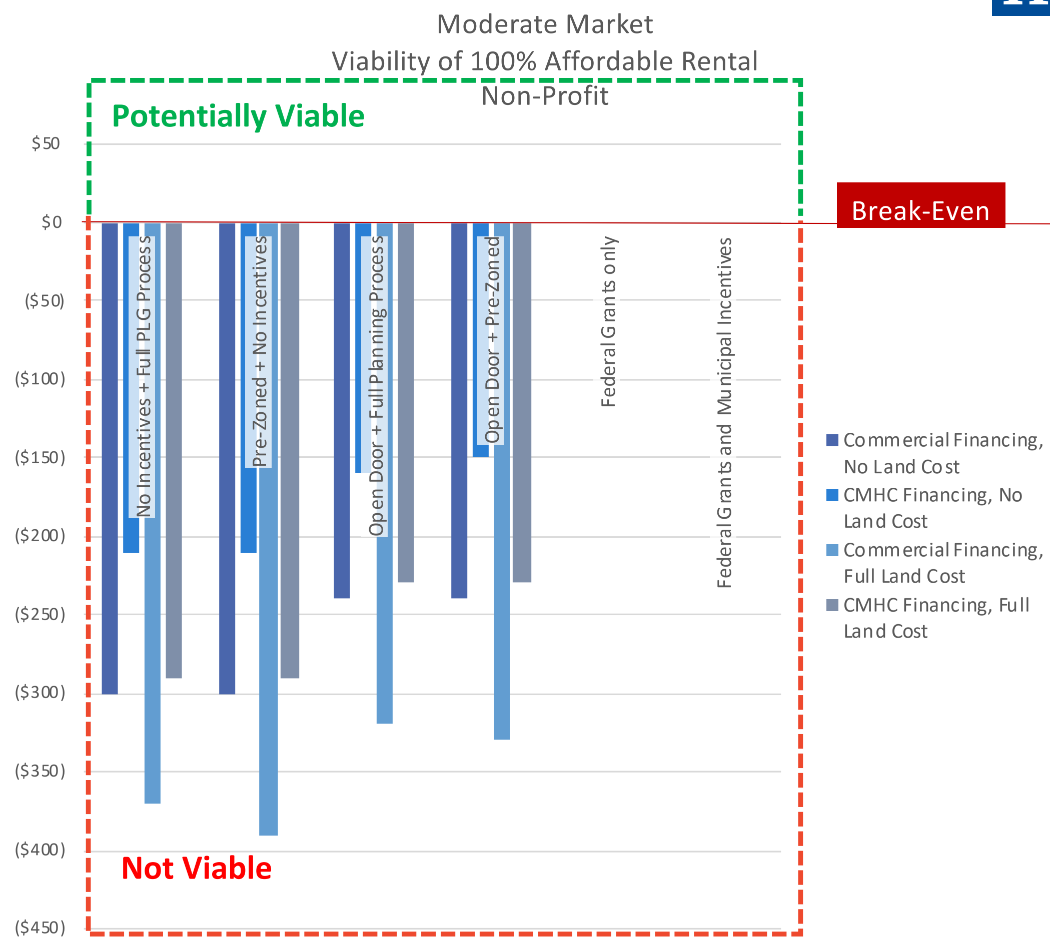
Test Results – Non-Profit Sector, 100% Affordable Rental

In **moderate markets**, a fully affordable rental development at 80%MMR is not viable, even with a combination of municipal incentives, CMHC loans, and the removal of land costs. Projects could also have issues in securing construction loans without an additional funding source, as land value is not sufficient to satisfy equity requirements. The table below outlines the amount of grant money required to bring the project to a break-even position. If the developer owns land, and both CMHC financing and municipal incentives are secured, the grant required is about 40% of project costs (+/- $190 psf). If the developer does not own land and has no municipal incentives or CMHC loan, the grant required is about 90% of the project cost (+/- $530 psf).

Federal Grants Required to Break Even - Moderate Market

		No Other Incentives	With Municipal Incentives
Commercial Financing, No Land Cost	$/sf	$420	$300
	$/unit	$367,000	$262,000
CMHC Financing, No Land Cost	$/sf	$300	$190
	$/unit	$262,000	$166,000
Commercial Financing, Full Land Cost	$/sf	$530	$410
	$/unit	$464,000	$359,000
CMHC Financing, Full Land Cost	$/sf	$410	$290
	$/unit	$359,000	$254,000



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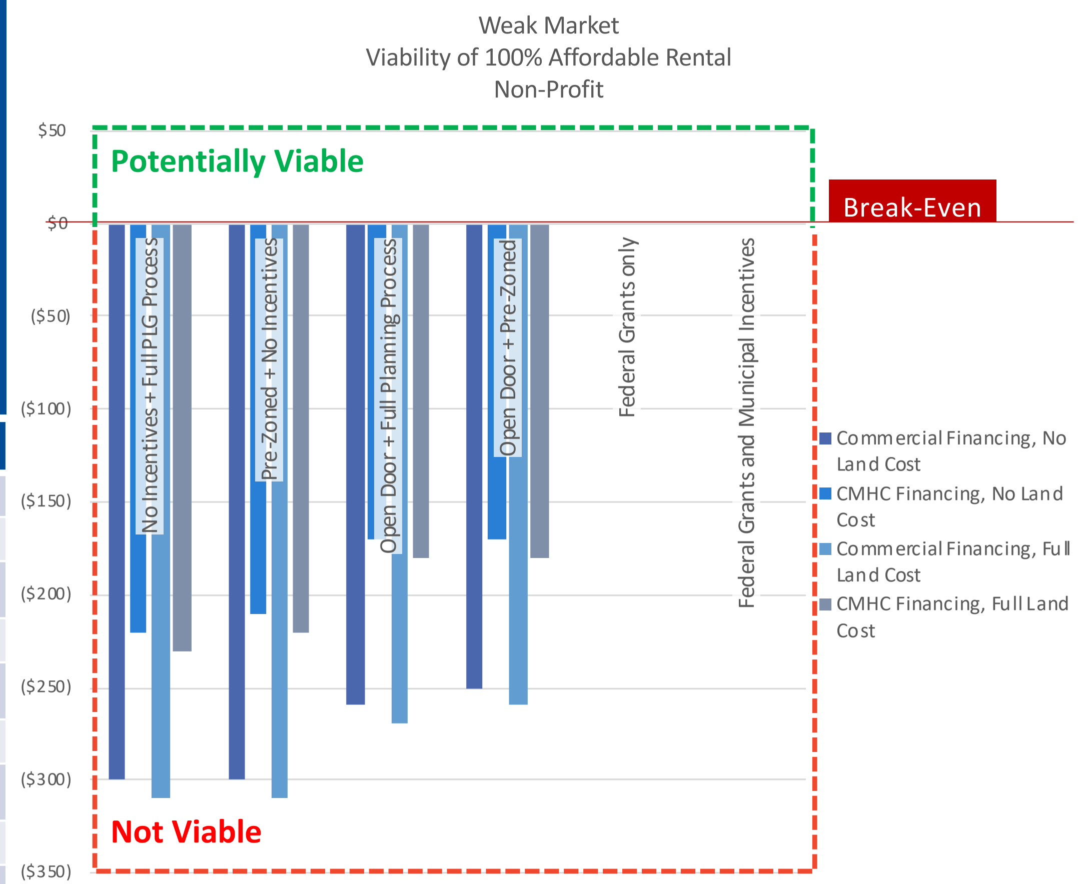
Test Results – Non-Profit Sector, 100% Affordable Rental

In **weak markets**, a fully affordable rental development at 80%MMR is not viable, even with a combination of municipal incentives, CMHC loans, and the removal of land costs. Projects could also have issues securing a construction loan without additional funding sources, as land value is not sufficient to satisfy equity requirements. The table below illustrates the amount of federal grants required to bring a project to a break-even position. If the developer owns land, and both CMHC financing and municipal incentives are secured, the grant required would be about 45% of project costs (+/- $210 psf). However, if the developer does not own land and has no municipal incentives or a CMHC loan, the grant required would be about 75% of project costs (+/- $430 psf).

Federal Grants Required to Break Even - Weak Market

		No Other Incentives	With Municipal Incentives
Commercial Financing, No Land Cost	$/sf	$410	$320
	$/unit	$359,000	$280,000
CMHC Financing, No Land Cost	$/sf	$310	$210
	$/unit	$271,000	$184,000
Commercial Financing, Full Land Cost	$/sf	$430	$330
	$/unit	$376,000	$289,000
CMHC Financing, Full Land Cost	$/sf	$320	$220
	$/unit	$280,000	$192,000



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Key Findings – Private Sector Scenarios

nblc

The private sector scenario testing reveals the following key findings:

- Evidence demonstrates that market developments will continue to outperform mixed-income developments, particularly in strong and moderate market areas where achievable market revenue can make a projects highly profitable.
- In weak markets, a mixed income development with federal and municipal support could potentially yield better outcomes and outcompete a market development.
- As a result, if the same level of federal grants and municipal incentives are offered, private developers are more likely to apply them in weaker market locations. There are positives and negatives to this from a planning perspective.
  - This might stimulate new development in areas where new investment activity may have not otherwise occurred.
  - But, shows that added policy requirements, incentives, and/ or, special players might be required to introduce affordable units within stronger market locations.

Key Findings – Non-Profit, Mixed Income Developments

nblc

The non-profit, mixed-income scenario testing reveals the following key findings:

- From a financial viability perspective, a mixed-income model can reduce the out-of-pocket equity requirement which is usually a major barrier for the non-profit sector to deliver rental housing.
- Non-profit with sites in strong market areas could achieve a viable mixed-income project without incentives or CMHC loan. Without land, the project could still be viable financially, however the funds required to secure land in the first place could be significant.
- In moderate market areas, projects with no land cost are generally viable without incentives. With full exposure to market land costs, a mixed-income project would require CMHC financing tools or “Open Door” / CIP style program incentives to be viable .
- In weak market areas, land plays a much smaller role in overall project costs. Mixed income projects in these markets are generally not viable without incentives. CMHC financing could potentially allow these projects break even without other incentives; but, leaves no extra room to weather risk. The combination of a CMHC loan and municipal incentives could make projects viable, with modest net revenue.

Key Findings – Non-Profit, Mixed Income Developments

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The major benefit of the mixed-income, mixed-tenure model:

- Condominium unit sales provide a revenue stream in the early phases of the project. This is crucial in securing both construction financing and a permanent loan. Effectively cross-subsidizing affordable units with money that would otherwise represent profit & land value.

Potential barriers of the mixed-income, mixed-tenure model:

- In weak market areas, non-profit developers may require assistance with equity requirements. In strong and moderate areas, this requirement can often be satisfied through a combination of land value and purchaser deposits.
- If the developer does not already own land, a non-profit developer would need to compete with private developers or other non-profit developers for land. This barrier is applicable to non-profit real estate development in most instances.
- It is rare for a non-profit to have the experience and capacity to deal with condominium apartment development and sales. The mixed-income, mixed-tenure model is considerably more complex than a market condominium development. Partnerships could be valuable.