Evaluation of the Financial Impact on New Rental Projects of Potential New Housing Requirements and Development Incentives

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1.0 Introduction

1.1 Background

Like many municipalities in BC, the City of Victoria has a low rental vacancy rate and high demand for existing rental housing. The City is in need of more market rental housing and more affordable rental housing.

Therefore, the City has undertaken a Rental Housing Initiative to help identify changes to existing policies that could facilitate additional supply of market rental housing and affordable rental housing.

As input to the process, the City retained Coriolis Consulting Corp. to:

- Analyze the financial viability of market rental apartment development under existing City policies.
- Test the likely positive impact of incentives that could be considered for new rental projects.
- Test the potential negative financial impact on rental development projects of potential new requirements that the City could consider (if incentives are provided).

Our work spanned 2022 and 2023 as different policy approaches were considered and tested. We provided the detailed results of our analysis to City staff in phases as the work was completed. This report summarizes the key findings of our analysis.

The results of the analysis that is summarized in this report are based on market conditions (e.g., rents, construction costs, financing rates) as of September 2022.

1.2 Professional Disclaimer

This document may contain estimates and forecasts of future growth and urban development prospects, estimates of the financial performance of possible future urban development projects, opinions regarding the likelihood of approval of development projects, and recommendations regarding development strategy or municipal policy. All such estimates, forecasts, opinions, and recommendations are based in part on forecasts and assumptions regarding population change, economic growth, policy, market conditions, development costs and other variables. The assumptions, estimates, forecasts, opinions, and recommendations are based on interpreting past trends, gauging current conditions, and making judgments about the future. As with all judgments concerning future trends and events, however, there is uncertainty and risk that conditions change or unanticipated circumstances occur such that actual events turn out differently than as anticipated in this document, which is intended to be used as a reasonable indicator of potential outcomes rather than as a precise prediction of future events.

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In no event shall Coriolis Consulting Corp. be liable to the City of Victoria or any third party for any indirect, incidental, special, or consequential damages whatsoever, including lost revenues or profits.

2.0 Factors Affecting the Financial Viability of Rental Development

There are a wide variety of factors that affect the financial viability of rental development at any specific site. Generally, the key factors can be summarized as follows:

1. The overall rental revenue that can be generated by the project. A higher achievable average rent improves the likely viability of a project. Rents vary by location (and quality of the project) so each project is unique:
    - If a project is required to include affordable units, this reduces the achievable income and negatively impacts viability.
    - If a project is required to include larger rental units (e.g. 3 bedroom units), it can impact the overall average project rent, as larger units often rent at a lower rate per square foot than smaller units.
2. The operating costs and property taxes. Lower operating costs and taxes improve the viability of a project while rising operating costs and property taxes negatively impact project viability. A property tax waiver or reduction is one tool that a municipality can use to improve rental development viability.
3. The value of the completed project. A higher completed value improves the viability of rental development. The completed value is influenced primarily by two factors:
    - The net income that is generated by the project, which is a function of rent revenue and operating costs (as outlined in items 1 and 2 above).
    - The capitalization rate (cap rate) that an investor would apply to the completed project. The cap rate is the annual yield that a purchaser targets after project acquisition, calculated as the net income divided by the purchase price. A lower cap rate results in higher project value and a higher cap rate results in a lower project value. Cap rates are market based and are influenced by the expected returns that prospective purchasers can achieve on alternate investments, anticipated changes in annual net income over the long term, and borrowing rates. Municipalities have little direct influence over cap rates. However, it should be noted that any regulations or policies that limit future rent increases (such as a housing agreement that limits rent increases) will typically increase the required cap rate and lower completed project value.
4. Approved density. Increased density allows a project to spread the land acquisition costs across a larger building, reducing the land acquisition cost per square foot of the building. It can also create more revenue generating floorspace. Therefore, increased density can improve the financial viability of a project.
5. Land acquisition costs. Higher land acquisition costs have a negative impact on project viability. If the market value of land is increasing, it negatively affects rental viability. Bonus density for rental projects can be used to help off-set the impact of high land acquisition costs.
6. Construction costs. Increasing project creation costs (e.g., hard costs, soft costs, government levies, construction financing) have a negative impact on the financial viability of new rental projects. Many costs are subject to market fluctuations. However, some are affected by municipal policies such as parking requirements, DCCs, application fees, amenity contributions and tenant protection policies. Therefore,

reductions in municipal fees and levies (and relaxation of policies that increase project costs) can have a positive impact on the viability of a rental project.

7. Financing. There are two components to project financing:

   - Rental developers typically require construction financing to fund project costs during construction. As interest rates rise, the cost of construction financing increases which raises overall project costs. This has a negative impact on project viability.
   - After a project is completed, rental developers typically secure take-out financing to pay out the construction financing and limit the additional equity required to fund all of the project costs. The higher the amount of take-out financing, the less equity a developer needs to leave in the project upon completion. The amount of take-out financing that is supported by a project is based on the net income generated by the rental units. Rising interest rates reduce the amount of take-out financing that can be supported by the income generated by the project which means a developer requires increased equity to fund the project. So rising interest rates negatively affect rental project viability. In addition, increasing take-out financing rates can lead to higher cap rates which also negatively affects project viability (see item 3 above).

Many of the factors that impact the viability of a rental project are market based and are not directly influenced by a municipality. However, some factors can be influenced by the local government, including project density, parking requirements, property taxes, fees and levies, affordable housing requirements, unit mix requirements, unit size requirements, and tenant protection policies.

3.0 Incentives and Housing Requirements Tested

The City has a number of new housing objectives that it would like to achieve in new rental projects, including:

1. The inclusion of affordable rental units in new rental projects.
2. Providing an enhanced Right of First Refusal (ROFR) to existing tenants who are displaced by redevelopment.
3. Requiring the inclusion of a minimum share of family sized units in new rental projects.

These potential housing objectives will likely have a negative impact on the viability of new rental development. So the City asked us to test the negative financial impact of each of these potential new requirements on new rental projects.

There are a variety of incentives that could be considered to help off-set any negative impact of new housing requirements. The City asked us to test the likely positive financial impact of the following possible incentives.

1. Reduced parking requirements.
2. DCC waivers.
3. Property tax exemptions.
4. Additional bonus rental density.

4.0 Approach to Analysis

To test the financial impact of the potential new incentives or new requirements on rental development projects, we:

1. Selected case study sites that are likely candidates for rental redevelopment. We selected a cross section of sites from different neighbourhoods that are representative of the range of sites that would likely be financially attractive for market rental development in the City. This included sites designated in the OCP for lowrise apartment, highrise apartment, and mixed-use apartment, including sites in the following designations:

   - Urban Residential.
   - Core Residential.
   - Urban Village.
   - Housing Opportunity Area.

   In order to test the right of first refusal to existing tenants, we included two sites that are currently improved with existing older low density rental buildings.

2. Confirmed with the City the base case redevelopment scenario(s) to consider for each site, including building height, base and bonus density, unit mix, and parking. This step assumed there are no new requirements (i.e., family units, affordable units, ROFR) and no new incentives.

3. Estimated the market value of each site under current land use policies (e.g., zoning, OCP designation, CAC policy) and current use (e.g. detached houses, low density commercial, older rental building) to determine the minimum cost to a developer to acquire the site. Our analysis assumes that a rental developer would acquire the development site based on the market value supported by the existing use, zoning and OCP designation. If additional value is created by the potential new incentives being tested, our analysis assumes that this additional value is not capitalized into the land acquisition cost.

4. Created proformas to test the financial performance of rental redevelopment at each site.

5. Analyzed the financial performance of market rental development at each site in the absence of any incentives or new housing requirements. This provided a base case to gauge the impact of any potential new incentives or housing requirements. Our proformas were used to test two profitability measures[1]:

   - The profit margin. This is the completed value of the project less the total project costs divided by the total project costs.
   - The annual yield. This is the stabilized annual net operating income upon lease-up divided by the total project costs.

6. Using the rental proformas, tested:

   - The positive impact on the profit margin of each potential incentive.

[1] For a rental scenario to be financially viable, the target profit margin would likely need to be about 10% to 12% (or more) and the target annual yield would likely need to be about 4.6% (or more).

- The negative impact on the profit margin of each potential new housing requirement.

Each of the potential new incentives and housing objectives have a significant impact on the calculated profit margin for each site. However, there is less variation in the estimated yields across the different scenarios, making it more difficult to distinguish the relative impact of each new incentive or new requirement. Therefore, we focused on the change in the estimated profit margin across the different scenarios to evaluate the impact of the potential incentives and requirements. The results of both profitability measures are provided in the Attachments for each site and each scenario.

5.0 Key Assumptions

All of our rent rate, construction cost, capitalization rate and financing assumptions are based on market conditions as of September 2022. The financial assumptions vary for each case study site depending on the location of the site as well as the assumed mix of uses, density, construction material, and height of the assumed rental project.

The key assumptions related to the potential incentives and new requirements are as follows:

Reduced Parking

Schedule C of the Zoning Bylaw outlines the off-street parking requirements for new rental buildings. The rental parking requirements vary by location and by unit size. However, generally, the required number of parking stalls for a new rental project is typically between about 0.8 and 1.1 stalls per unit.

The reduced parking scenarios that we tested assume 0.5 stalls per unit as instructed by staff.

DCC Waiver

Development Cost Charges (DCCs) are $4.33 per square foot for new apartment projects. Our testing assumes that 100% of the apartment DCCs are waived for new rental projects.

Property Tax Exemption

Section 226 of the Community Charter provides local governments with the authority to exempt a property from municipal property taxes. To use this authority, a Council must establish a revitalization program. Exemptions may apply to the assessed value of land or improvements, or both. Councils are free to specify, within their revitalization programs, the amounts and extent of tax exemptions available.

A revitalization tax exemption may be granted for a period up to 10 years.

As of 2019, revitalization tax exemptions (RTE) for new purpose-built rental housing apply to provincial property taxes as well as municipal taxes. The provincial property tax exemption mirrors the terms of the municipal exemption, including the length of the exemption and the percentage of the property exempted from tax.

We tested the impact of a 10 year property tax exemption assuming 100% of the municipal portion and 100% of the school tax (provincial) portion of the taxes are exempted. Our understanding is that this is the maximum exemption permitted under a revitalization tax exemption program. The exemption could be for shorter time period or could apply to less than 100% of the municipal and school taxes.

Additional Bonus Density

To test the impact of providing additional bonus density to rental projects, we assumed that the maximum permitted OCP density would be increased by 10% at each site that we tested, except for the Housing Opportunity sites where 0.5 FSR of increased rental density was assumed (as permitted in this designation). Overall, the increased density at the case sites ranges between 0.2 FSR and 0.5 FSR.

CAC Waiver

All of the rental scenarios assume no amenity contribution is required. This was not included as a specific incentive test because City policy exempts rental projects from CACs. To estimate the likely property

acquisition cost to a rental developer, our analysis assumes that a strata project (at the same site) would be subject to the applicable Level A and Level B amenity contribution rates.

Affordable Rental Units

We tested the impact of a lower and a higher affordable rental requirement. The lower scenario assumes 10% of the units are affordable rental units. The higher scenario assumes that 15% of the units are affordable rental units.

As instructed by staff, the analysis assumes that the rents for the affordable units would be set at the CMHC median rents for Victoria. This varies by bedroom type. The assumed mix of bedroom types, unit sizes and monthly rents is shown in Exhibit 1.

Exhibit 1: Affordable Rent and Unit Mix Assumptions

Bedroom Type	Unit Mix	Assumed Average Unit Size (sf)	Monthly Rent
Studios	35%	375	$995
1-Bedroom	35%	525	$1,195
2-Bedroom	20%	725	$1,525
3-Bedroom	10%	975	$1,785
Overall	100%	558	$1,250

Our analysis assumes that the affordable rents are regulated under the Residential Tenancy Act (RTA) for each tenancy and are permitted to re-set to the CMHC median market rent at the start of a new tenancy.

Right of First Refusal

The City has a policy that provides a Right of First Refusal (ROFR) to existing tenants who are displaced by redevelopment. The existing policy sets the ROFR rents at 20% below the market rent for new rental units.

We tested a potential new ROFR requirement that assumes the returning tenants would have an option to return to the new units at the tenant's existing rent (assumed to be the CMHC median rent for the City as this is the typical rent for older units). The impact on the financial performance of a rental project of a ROFR depends on the number of tenants that return to the new building and the average length of tenancy (at the discount rent) for the returning tenants. We tested two scenarios:

- The lower impact scenario assumes that 25% of existing tenants return for an average or 7 years[2].
- The higher impact scenario assumes that 50% of existing tenants return for an average of 7 years.

The ROFR scenarios were only tested on sites 9 and 10 (the two sites with existing rental units).

Family Unit Requirement

The City asked us to test a requirement for a minimum of 30% family units in new rental buildings. Our analysis assumes that 10% of the new units are 3 bedroom units and 20% are 2 bedroom units.

Our base case analysis assumes 20% 2 bedroom units and no 3 bedroom units. This is similar to the mix of bedroom types at newer rental projects in the City.

[2] Based on CMHC data, the average length of tenancy in the City is about 6 to 7 years.

6.0 Case Study Sites and Scenarios

We analyzed the financial performance of rental development at ten different case study sites:

1. 1200 Block Fairfield Road. This site is an assembly of two older single family homes with a combined lot size of about 11,150 square feet. The properties are designated Urban Residential in the OCP, which supports a base density of 1.2 FSR (with the Level A amenity contribution) and a maximum density of 2.0 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 2.0 FSR. The bonus density scenarios assume a total density of 2.2 FSR.
2. 1200 Block Pandora Avenue. This site is an assembly of three older single family homes with a combined lot size of about 18,606 square feet. The properties are designated Urban Residential in the OCP, which supports a base density of 1.2 FSR (with the Level A amenity contribution) and a maximum density of 2.0 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 2.0 FSR. The bonus density scenarios assume a total density of 2.2 FSR.
3. 100 Block Menzies Street. This site is an assembly of four older single family homes with a combined lot size of about 19,824 square feet. The properties are designated Large Urban Village in the OCP, which supports a base density of 1.5 FSR (with the Level A amenity contribution) and a maximum density of 2.5 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 2.5 FSR. The bonus density scenarios assume a total density of 2.75 FSR.
4. 1800 Block Cook Street. This site is an assembly of older low density commercial properties with a combined lot size of about 14,000 square feet. The properties are designated Large Urban Village in the OCP, which supports a base density of 1.5 FSR (with the Level A amenity contribution) and a maximum density of 2.5 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 2.5 FSR. The bonus density scenarios assume a total density of 2.75 FSR.
5. 800 Block Cormorant Street. This site is an assembly of older low density commercial properties with a combined lot size of about 20,468 square feet. The properties are designated Core Residential in the OCP, which supports a base density of 3.0 FSR (with the Level A amenity contribution) and a maximum density of 5.0 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 5.0 FSR. The bonus density scenarios assume a total density of 5.5 FSR.
6. 800 Block Caledonia Avenue. This site is an assembly of older low density commercial properties with combined lot size of about 21,780 square feet. The properties are designated Core Residential in the OCP, which supports a base density of 3.0 FSR (with the Level A amenity contribution) and a maximum density of 5.0 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 5.0 FSR. The bonus density scenarios assume a total density of 5.5 FSR.
7. 1200 Block Bay Street. This site is an assembly of three older single family homes with combined lot size of about 16,499 square feet. The properties are designated Housing Opportunity Area, which supports a base density of 1.2 FSR (with the Level A amenity contribution) and a maximum density of 2.0 FSR (with

the Level B amenity contribution). Our rental scenarios assume a density of 2.0 FSR. The bonus density scenarios assume a total density of 2.5 FSR[3].

8. 1000 Block Mason Street. This site is an assembly of four older single family homes with a combined lot size of about 18,248 square feet. The properties are designated Housing Opportunity Area, which supports a base density of 1.2 FSR (with the Level A amenity contribution) and a maximum density of 2.0 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 2.0 FSR. The bonus density scenarios assume a total density of 2.5 FSR.
9. 1200 Block Fort Street. This site is an existing older 9 unit rental building on a 12,403 square foot site. The site is designated Urban Residential in the OCP, which supports a base density of 1.2 FSR (with the Level A amenity contribution) and a maximum density of 2.0 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 2.0 FSR. The bonus density scenarios assume a total density of 2.2 FSR. This site was used to test the right of first refusal (ROFR) impact.
10. 200 Block Michigan Street. This site is an existing older 10 unit rental building on a 14,880 square foot site. The site is designated Urban Residential in the OCP, which supports a base density of 1.2 FSR (with the Level A amenity contribution) and a maximum density of 2.0 FSR (with the Level B amenity contribution). Our rental scenarios assume a density of 2.0 FSR. The bonus density scenarios assume a total density of 2.2 FSR. This site was used to test the right of first refusal (ROFR) impact.

For each site we tested the following:

- A base case scenario that assumes rezoning and redevelopment for rental use under existing City policies. The starting point for these scenarios assume that parking is provided under the Schedule C parking requirements. Because the City supports reduced parking at most rental rezonings, we also completed a revised base case scenario with the reduced off-street parking assumption (0.5 stalls per unit).
- Each of the potential new rental incentives, including DCC waivers, a Revitalization Tax Exemption (RTE) and bonus rental density.
- Each of the potential new housing requirements, including the family housing requirement, enhanced right of first refusal (ROFR) to existing tenants, and inclusion of affordable rental units. We only tested the ROFR scenarios at sites 9 and 10 as these are the sites that include existing rental units.

In total we analyzed about 100 different scenarios across the ten different sites.

[3] Bonus density from 2.0 FSR to 2.5 FSR is available in this designation for rental rezonings that provide substantial public benefit, such as affordable housing or amenity contributions.

7.0 Summary of Results of Financial Testing

The detailed results of our analysis for each case study site are contained in the Attachments. This section summarizes the key findings.

For each scenario, we estimated the likely profit margin associated with the concept[4]. Comparing the estimated profit margin for each specific scenario allowed us to evaluate the likely impact of each potential incentive and each potential requirement on the likely financial performance of a new rental project.

7.1 Incentive Testing Results

Exhibit 2 summarizes the findings for each of the different incentives that we tested. The exhibit includes:

1. A description of the incentive tested. The scenarios include:
    - Scenario 1 is the base case scenario under existing Schedule C parking requirements.
    - Scenario 2 is the base case scenario with reduced parking.
    - Scenario 3 assumes the DCCs are waived (with reduced parking).
    - Scenario 4 assumes a 10 year RTE is provided upon completion (with reduced parking).
    - Scenario 5 assumes increased permitted rental density (with reduced parking).
    - Scenario 6 combines all of the incentives that were tested to show the potential overall positive impact.
2. The estimated range in the profit margin for all of the sites tested (the detailed site by site figures are shown in the Attachments).
3. The change in estimated profit margin associated with each incentive. This is provided as a range as it varies from site to site. These figures can be used to evaluate the magnitude of the financial benefit associated with each incentive. The impact of multiple incentives is additive. For example, if reduced parking increases the profit margin by 5 percentage points and increased density increases the profit margin by 2 percentage points, then the combination of the two would increase the profit margin by 7 percentage points.

Exhibit 2: Summary of Impact of Potential Incentives on Estimated Profit Margin

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced Parking	Reduced Parking	Reduced Parking	Reduced Parking	Reduced Parking
Range in Estimated Profit Margin as % of Cost	-4.7% to 6.5%	1.1% to 12.6%	1.7% to 13.1%	4.4% to 15.7%	2.6% to 13.8%	6.7% to 18.6%
Range in Incremental Change in Profit Margin Due to Incentive	not applicable	5.6% to 6.7%	0.6% to 0.9%	3.1% to 3.8%	0.7% to 1.6%	10.7% to 13.0%

[4] We also calculated the annual yield for each scenario. However, this section focuses on the impact on the profit margin because the variation in the estimated yields is smaller and does not clearly illustrate the magnitude of the impact of each specific inventive.

The key findings from our analysis of potential incentives are as follows:

1. To be financially viable and to obtain project financing, a rental developer typically requires a minimum expected profit margin of about 10% to 12% or more. The base case scenarios we tested fall significantly below this required profit margin. Therefore, in most cases in Victoria, market rental development is unlikely to be viable under current market conditions without an incentive. This is particularly true for concrete (highrise) rental development which falls at the low end of the estimated profit margins shown in Exhibit 2.
2. Reduced parking can have a significant positive impact on the viability of rental development. The total positive impact would depend on the scale of the parking reduction[5]. For the scenarios that we tested, the positive impact on the profit margin ranges between 5.6 and 6.7 percentage points. The City often supports reduced parking at rental projects so this incentive is currently being offered which has likely helped rental projects proceed in recent years.
3. A 10 year waiver in property taxes through a Revitalization Tax Exemption would have a significant positive impact on the financial performance of a new rental project. For the scenarios we tested, the estimated positive impact on the profit margin ranges between 3.1 and 3.8 percentage points. A portion of this comes from the reduced Provincial property taxes, so the cost of the incentive is partly borne by the Province.
4. Increased permitted density can have a significant positive impact on the financial performance of a new rental project. The scale of the positive impact depends on the amount of increased density that is permitted. For the scenarios we tested (10% to 20% increase in permitted density), the positive impact on the estimated profit margin ranges between 0.7 and 1.6 percentage points.
5. Waving DCCs would also have a positive impact on the financial performance of a new rental project. However, the positive impact on the estimated profit margin is smaller than the other incentives tested, ranging between about 0.6 and 0.9 percentage points.

7.2 Results of Testing for Potential New Housing Requirements

Exhibit 3 summarizes the findings for each of the different potential new housing requirements that we tested. The exhibit provides:

1. A description of the requirements tested. These scenarios assume that the reduced parking scenario is the base case (as reduced parking is often supported by the City already):
    - Scenario 1 is the base case scenario with reduced parking.
    - Scenario 2 tests the assumed family unit requirement.
    - Scenario 3a is the lower impact estimate for the enhanced right of first refusal to existing tenants.
    - Scenario 3b is the higher impact estimate for the enhanced right of first refusal to existing tenants.

[5] We tested a specific parking reduction which is generally marketable and supportable by private developers. This parking assumption has a positive impact on the estimated financial performance of a project. However, it should be noted that if too little parking is provided, it could impact the marketability of the rental units which could negatively impact the financial performance of the project (even though construction costs would be reduced). So instituting a parking maximum could create challenges for rental developers if it is set too low.

- Scenario 4 tests the impact of a requirement for 10% affordable rental units.
- Scenario 5 tests the impact of a requirement for 15% affordable rental units.

2. The estimated range in profit margin for the sites tested (the detailed site by site figures are in the Attachments).

3. The change in estimated profit margin associated with each potential new housing requirement. This is provided as a range as it varies from site to site. These figures can be used to evaluate the magnitude of the negative financial impact associated with each potential new requirement tested.

Exhibit 3: Summary of Impact of Potential New Housing Requirements on Estimated Profit Margin

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced Parking	Reduced Parking	Reduced Parking	Reduced Parking	Reduced Parking	Reduced Parking
Range in Estimated Profit Margin as % of Cost[6]	1.1% to 12.6%	-0.2% to 11.4%	4.3% to 7.0%	-3.4% to 5.9%	-5.6% to 8.3%	-1.5% to 6.0%
Range in Incremental Change in Profit Margin Due to Requirement	not applicable	-0.6% to -1.3%	-0.8%	-1.7% to -1.9%	-3.9% to -4.8%	-5.9% to -7.2%

The key findings from our analysis of potential new housing requirements are as follows:

1. Rental development is generally not viable under current market conditions (without incentives) and each of the potential housing requirements that we tested will have a negative impact on the financial performance of new market rental development. Therefore, if any new requirements are implemented, incentives will likely need to be provided. Otherwise, the new requirements will reduce the pace of new rental development.

2. A requirement for rental projects to provide 10% to 15% of the units as affordable rental units would have a significant impact on the financial performance of new rental projects. For the scenarios we tested:

   - A 10% affordable rental requirement reduces the estimated profit margin between about 3.9 and 4.8 percentage points.
   - A 15% affordable rental requirement reduces the estimated profit margin between about 5.9 and 7.2 percentage points.

3. The enhanced right of first refusal to existing tenants that we analyzed will have a negative impact on the financial performance of new rental projects. The impact will vary depending on the number of tenants that return to the new building and the length of the tenancy for the returning tenants, both of which will vary from project to project and are not possible to predict in advance. For the scenarios we tested, the enhanced ROFR reduces the estimated profit margin on the new rental project between about 0.8 and 1.9 percentage points.

4. A requirement for rental projects to include a minimum number of family sized units can impact the financial performance of a new rental project because larger family sized units typically achieve a lower

[6] The right of first refusal scenarios were only tested on woodframe sites so the profit margins shown in this exhibit do not include any high density concrete scenarios (which would support much lower profit margins than shown).

rent per square foot than smaller units. For the scenarios we tested, a requirement for 20% 2 bedroom units and 10% 3 bedroom units reduces the estimated profit margin on the new rental project between about 0.6 and 1.3 percentage points.

8.0 Key Findings and Implications of Analysis

1. In most cases, market rental development is unlikely to be viable under current market conditions in Victoria without incentives. This is particularly true for concrete (highrise) rental development due to the higher construction costs associated with this form of development.
2. Despite the challenges to financial viability, new rental development has been occurring in the City over the past few years because projects have often been provided off-street parking reductions or increased permitted density (or both) as part of the rezoning approval process.
3. The City should continue to provide incentives to new rental projects to help encourage new rental development.
4. There are a number of potential incentives that would have a positive impact on the viability of new rental development including:

    - Reduced parking (which is often already provided).
    - Property tax exemptions, through a Revitalization Tax Incentive (RTE).
    - Increased permitted market rental density (which is already provided in some circumstances).
    - DCC waivers. However, it should be noted that a DCC waiver will have a small positive impact in comparison to the other three potential incentives.

    Any combination of these potential incentives would have a large positive impact on the viability of rental projects.
5. The City is interested in achieving a variety of new housing objectives at new rental projects. Each of the potential new housing requirements that we tested will have a negative impact on the financial performance of new market rental development. Of the requirements we tested:

    - An affordable housing requirement would have the largest negative impact on the financial viability of new rental projects. The scale of the negative impact would vary depending on the share of units that are required to be affordable (and the definition of affordable rents).
    - An enhanced right of first refusal also has a significant impact on the viability of new rental projects that result in the demolition of existing rental stock. The actual impact is difficult to determine as it would vary from project to project depending on the number of tenants that return to the new building and the length of the tenancy for the returning tenants.
    - A requirement for rental projects to include a minimum number of family sized units would likely have a more modest impact on rental viability (for the financial scenarios we tested).
6. If the City is interested in implementing any of the new housing requirements for rental projects, it should consider providing incentives that would off-set the estimated negative impacts of the new requirements. Otherwise, fewer new rental projects will be financially viable and the pace of new rental development in the City will likely slow.

Our analysis focused on incentives and requirements for new market rental apartment projects. However, non-market rental development could also benefit from the incentives examined in this report, but likely to a lesser degree than a market rental project. For example, bonus density will not necessarily create extra value for a non-market project because the non-market units are not as valuable as market units. In addition, an RTE would be less valuable to a non-market project because the property taxes per unit are lower for a non-

market rental project than for a market rental project. Given that bonus density and an RTE are likely less valuable to a non-market project than a market rental project, a DCC waiver would be more important to non-market projects.

9.0 Comments on Proposed Policy Approach

After we completed our analysis of the different potential incentives and new requirements for market rental projects, City staff developed a proposed draft set of incentives and requirements and asked us to comment on the proposed approach.

The City's draft proposed set of new requirements and incentives for market rental projects includes the following elements:

1. Decreased off-street parking requirements for new market rental projects.
2. Density bonus floorspace for new market rental projects.
3. The opportunity for a 10 year Revitalization Tax Exemption for new rental projects that provide the following:
    - 10% of units rented at CMHC median market rates.
    - 30% of units as family sized units.
    - A right of first refusal to occupy one of the the affordable units to tenants who are displaced due to the redevelopment project.

We analyzed the financial performance of the combination of these incentives and requirements for three different case sites, including:

- A Housing Opportunity Area site (Case Study Site 7).
- An Urban Residential site (Case Study Site 1).
- A Core Residential site (Case Study Site 6).

The detailed results are contained in the Attachments. Based on our analysis:

1. The combination of reduced parking requirements and bonus density[7] will have a significant positive impact on the financial performance of 100% market rental projects. We would expect these two incentives to be very effective at encouraging woodframe market rental development. However, even with these two incentives, we would not expect highrise concrete rental development to be financially viable (other than in limited circumstances). Highrise rental development would likely require additional incentives (such as more bonus density than we tested) to be financially viable.
2. The combination of reduced parking requirements, bonus density and an RTE will have a large positive impact on the financial performance of a rental project. These incentives more than off-set the negative financial impact of a 10% affordable rental component and a requirement for 30% family sized units. At the sites we tested, woodframe rental development would likely be viable with this combination of incentives and new housing requirements. However, we would not expect highrise concrete rental development to be financially viable with a 10% affordable rental component.

Our analysis is based on market conditions as of September 2022. Since that time, changes in market conditions (increased interest rates in particular) have made rental development more challenging. However, as market factors (e.g., rent rates, construction costs, financing rates) continue to change over time, we think

[7] As instructed by staff, we assumed a 0.2 FSR density bonus for the Urban Residential site, a 0.5 FSR bonus for the Core Residential site and a 0.5 FSR bonus for the HOA site (which is supported by the existing designation).

that the proposed policy approach will have a significant positive influence on the financial viability of new market rental and affordable rental projects.

10.0 Attachments – Results of Financial Analysis

The following attachments include the results of our analysis for each site and each scenario tested.

- Section 10.1 shows the results of the incentives that we tested.
- Section 10.2 shows the results of the new housing requirements that we tested.

Unless specified, each incentive and each requirement was tested on its own. The incentives and requirements were not layered across multiple scenarios. The key exception is reduced parking which was tested on its own but also layered into most of the scenarios (so this is noted in the scenario descriptions).

The impact (positive or negative) of multiple incentives or multiple requirements is additive. For example, if reduced parking increases the profit margin by 5 percentage points and increased density increases the profit margin by 2 percentage points, then the combination of the two would increase the profit margin by 7 percentage points.

Section 10.3 shows the results of the analysis for the proposed draft policy approach for a selection of sites that we tested.

10.1 Results of Site by Site Incentive Testing

The following exhibits show the results of the financial analysis for the incentive scenarios we tested. For each of the ten case study sites, the exhibits include:

- A description of the incentive scenario (as detailed in Section 5.0).
- The parking assumption (existing Schedule C requirement or reduced to 0.5 stalls per unit).
- The assumed density.
- The estimated profit margin on total project costs supported by the scenario.
- The estimated annual yield for the scenario upon completion and lease-up of the units.
- Whether or not the scenario is likely to be financially viable[8].

Site 1 – 1200 Block Fairfield – Urban Residential

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.2	2.2
Estimated Profit Margin as % of Cost	5.1%	11.2%	12.0%	14.7%	12.4%	16.7%
Estimated Annual Yield on Costs	4.3%	4.6%	4.6%	n/a	4.6%	4.6%
Financially Viable	No	Possibly	Yes	Yes	Yes	Yes

[8] We considered two indicators to evaluate viability. Generally a rental developer would require an expected profit margin of at least 10% to 12% (or more) and an expected yield upon lease-up of about 4.6% per year or more.

Site 2 – 1200 Block Pandora – Urban Residential

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.2	2.2
Estimated Profit Margin as % of Cost	2.9%	8.7%	9.5%	12.3%	9.4%	13.8%
Estimated Annual Yield on Costs	4.2%	4.5%	4.5%	n/a	4.5%	4.5%
Financially Viable	No	Unlikely	Possibly	Yes	Possibly	Yes

Site 3 – 100 Block Menzies – Urban Village

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.5	2.5	2.5	2.5	2.75	2.75
Estimated Profit Margin as % of Cost	6.5%	12.6%	13.3%	15.7%	13.4%	17.3%
Estimated Annual Yield on Costs	4.5%	4.8%	4.8%	n/a	4.8%	4.8%
Financially Viable	No	Yes	Yes	Yes	Yes	Yes

Site 4 – 1800 Block Cook – Urban Village

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.5	2.5	2.5	2.5	2.75	2.75
Estimated Profit Margin as % of Cost	2.5%	8.5%	9.2%	11.6%	9.2%	13.1%
Estimated Annual Yield on Costs	4.3%	4.6%	4.6%	n/a	4.6%	4.6%
Financially Viable	No	Unlikely	Possibly	Possibly	Possibly	Yes

Site 5 – 800 Block Cormorant – Core Residential

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	5.0	5.0	5.0	5.0	5.5	5.5
Estimated Profit Margin as % of Cost	-4.7%	1.1%	1.7%	4.4%	2.6%	6.7%
Estimated Annual Yield on Costs	4.1%	4.4%	4.4%	n/a	4.4%	4.4%
Financially Viable	No	No	No	No	No	Unlikely

Site 6 – 1200 Block Caledonia – Core Residential

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	5.0	5.0	5.0	5.0	5.5	5.5
Estimated Profit Margin as % of Cost	-4.3%	1.4%	2.0%	4.7%	3.0%	7.1%
Estimated Annual Yield on Costs	4.1%	4.4%	4.4%	n/a	4.4%	4.4%
Financially Viable	No	No	No	No	No	Unlikely

Site 7 – 1200 Block Bay – Housing Opportunity Area

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.5	2.5
Estimated Profit Margin as % of Cost	3.9%	10.6%	11.5%	14.5%	12.0%	16.8%
Estimated Annual Yield on Costs	4.3%	4.5%	4.6%	n/a	4.6%	4.6%
Financially Viable	No	Possibly	Possibly	Yes	Yes	Yes

Site 8 – 1000 Block Mason – Housing Opportunity Area

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.5	2.5
Estimated Profit Margin as % of Cost	5.6%	12.2%	13.1%	16.0%	13.8%	18.6%
Estimated Annual Yield on Costs	4.3%	4.6%	4.6%	n/a	4.7%	4.7%
Financially Viable	No	Yes	Yes	Yes	Yes	Yes

Site 9 – 1200 Block Fort – Urban Residential – Existing Rental Building

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.2	2.2
Estimated Profit Margin as % of Cost	2.1%	7.8%	8.6%	11.4%	8.9%	13.3%
Estimated Annual Yield on Costs	4.2%	4.4%	4.5%	n/a	4.5%	4.5%
Financially Viable	No	Unlikely	Unlikely	Possibly	Unlikely	Yes

Site 10 – 1200 Block Michigan - Urban Residential – Existing Rental Building

Scenario Number	1	2	3	4	5	6
Scenario	Base Case - Existing Policy	Reduced Parking	DCCs Waived	Revitalization Tax Exemption	Increased Density	All Incentives Combined
Parking	Schedule C	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.2	2.2
Estimated Profit Margin as % of Cost	-0.5%	5.1%	5.8%	8.5%	6.1%	10.4%
Estimated Annual Yield on Costs	4.1%	4.3%	4.3%	n/a	4.4%	4.4%
Financially Viable	No	No	No	Unlikely	No	Possibly

10.2 Results of Site by Site Testing for New Housing Requirements

The following exhibits show the results of the financial analysis for the new requirements we tested. For each of the ten case study sites, the exhibits include:

- A description of the requirement scenario (as detailed in Section 5.0). For most sites, Scenario 3 (right of first refusal) was not analyzed because there are no existing rental units at most case study sites.
- The parking assumption (existing Schedule C requirement or reduced to 0.5 stalls per unit).
- The assumed density.
- The estimated profit margin on total project costs supported by the scenario.
- The estimated annual yield for the scenario upon completion and lease-up of the units.
- Whether or not the scenario is likely to be financially viable.

Site 1 – 1200 Block Fairfield – Urban Residential

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.0	2.0
Estimated Profit Margin as % of Cost	11.2%	9.9%	n/a	n/a	6.4%	4.0%
Estimated Annual Yield on Costs	4.6%	4.5%	n/a	n/a	4.4%	4.3%
Financially Viable	Possibly	Possibly	n/a	n/a	No	No

Site 2 – 1200 Block Pandora – Urban Residential

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.0	2.0
Estimated Profit Margin as % of Cost	8.7%	7.8%	n/a	n/a	4.0%	1.8%
Estimated Annual Yield on Costs	4.5%	4.4%	n/a	n/a	4.3%	4.2%
Financially Viable	Unlikely	Unlikely	n/a	n/a	No	No

Site 3 – 100 Block Menzies – Urban Village

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.5	2.5	2.5	2.5	2.5	2.50
Estimated Profit Margin as % of Cost	12.6%	11.3%	n/a	n/a	8.3%	6.0%
Estimated Annual Yield on Costs	4.8%	4.7%	n/a	n/a	4.6%	4.5%
Financially Viable	Yes	Possibly	n/a	n/a	Unlikely	No

Site 4 – 1800 Block Cook – Urban Village

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.5	2.5	2.5	2.5	2.5	2.50
Estimated Profit Margin as % of Cost	8.5%	7.9%	n/a	n/a	4.6%	2.6%
Estimated Annual Yield on Costs	4.6%	4.6%	n/a	n/a	4.4%	4.4%
Financially Viable	Unlikely	Unlikely	n/a	n/a	No	No

Site 5 – 800 Block Cormorant – Core Residential

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	5.0	5.0	5.0	5.0	5.0	5.0
Estimated Profit Margin as % of Cost	1.1%	-0.2%	n/a	n/a	-3.4%	-5.6%
Estimated Annual Yield on Costs	4.4%	4.3%	n/a	n/a	4.2%	4.1%
Financially Viable	No	No	n/a	n/a	No	No

Site 6 – 800 Block Caledonia – Core Residential

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	5.0	5.0	5.0	5.0	5.0	5.0
Estimated Profit Margin as % of Cost	1.4%	0.0%	n/a	n/a	-3.1%	-5.3%
Estimated Annual Yield on Costs	4.4%	4.3%	n/a	n/a	4.2%	4.1%
Financially Viable	No	No	n/a	n/a	No	No

Site 7 – 1200 Block Bay – Housing Opportunity Area

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.0	2.0
Estimated Profit Margin as % of Cost	10.6%	10.0%	n/a	n/a	6.4%	3.9%
Estimated Annual Yield on Costs	4.5%	4.5%	n/a	n/a	4.4%	4.3%
Financially Viable	Possibly	Possibly	n/a	n/a	No	No

Site 8 – 1000 Block Mason – Housing Opportunity Area

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.0	2.0
Estimated Profit Margin as % of Cost	12.2%	11.4%	n/a	n/a	7.7%	5.5%
Estimated Annual Yield on Costs	4.6%	4.6%	n/a	n/a	4.4%	4.3%
Financially Viable	Yes	Possibly	n/a	n/a	No	No

Site 9 – 1200 Block Fort – Urban Residential – Existing Rental Building

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.0	2.0
Estimated Profit Margin as % of Cost	7.8%	7.1%	7.0%	5.9%	3.4%	1.1%
Estimated Annual Yield on Costs	4.4%	4.4%	n/a	n/a	4.2%	4.2%
Financially Viable	Unlikely	Unlikely	Unlikely	No	No	No

Site 10 – 200 Block Michigan – Urban Residential – Existing Rental Building

Scenario Number	1	2	3a	3b	4	5
Scenario	Base Case with Reduced Parking	Family Unit Requirement	Right of First Refusal - Lower	Right of First Refusal - Higher	10% Affordable Units	15% Affordable Units
Parking	Reduced	Reduced	Reduced	Reduced	Reduced	Reduced
Assumed Density	2.0	2.0	2.0	2.0	2.0	2.0
Estimated Profit Margin as % of Cost	5.1%	4.3%	4.3%	3.4%	0.7%	-1.5%
Estimated Annual Yield on Costs	4.3%	4.3%	n/a	n/a	4.1%	4.0%
Financially Viable	No	No	No	No	No	No

10.3 Results of Site by Site Testing for Proposed Policy Approach

The following exhibits show the results of the financial analysis for three case study sites under the draft proposed policy approach. This sites include:

- A Housing Opportunity Area site. This assumes a 6 storey woodframe rental building. Site 7 is used for this analysis.
- An Urban Residential site. This assumes a 6 storey woodframe rental building. Site 1 is used for this analysis.
- A Core Residential site. This assumes a highrise concrete mixed use rental building. Site 6 is used for this analysis.

For each site, we analyzed three scenarios:

- Scenario 1 is the base case scenario which assumes the existing Schedule C parking requirements, no incentives and no new housing requirements.
- Scenario 2 includes the proposed policy incentives for a 100% market rental project (reduced parking, bonus density) with no new housing requirements.
- Scenario 3 includes the proposed draft policy incentives for a rental building that includes affordable rental units. The incentives include reduced parking, bonus density and a 10 year RTE. The new housing requirements that are required in return for the incentives include 10% affordable rental units and 30% family housing units.

The exhibits for the three sites include:

- A description of the scenario (as outlined above).
- The parking assumption (existing Schedule C requirement or reduced to 0.5 stalls per unit).
- The assumed density (including any bonus density).
- Whether an RTE is included.
- The percentage of affordable units.
- The percentage of family units.
- The estimated profit margin on total project costs supported by the scenario.
- The estimated annual yield for the scenario upon completion and lease-up of the units.
- Whether or not the scenario is likely to be financially viable.

Site 7 – 1200 Block Bay – Housing Opportunity Area

Scenario Number	1	2	3
Scenario	Base Case - Existing Policy	Proposed Policy Approach 100% Market Rental with Affordable Units	Proposed Policy Approach with 10% Affordable Units
Parking	Schedule C	Reduced	Reduced
Assumed Density	2.0	2.5	2.5
RTE	No	No	Yes
Affordable Units	0%	0%	10%
Family Units	25%	25%	30%
Estimated Profit Margin as % of Cost	3.9%	12.0%	10.8%
Estimated Annual Yield on Costs	4.3%	4.6%	4.4%
Financially Viable	No	Yes	Possibly

Site 1 – 1200 Block Fairfield – Urban Residential

Scenario Number	1	2	3
Scenario	Base Case - Existing Policy	Proposed Policy Approach 100% Market Rental with Affordable Units	Proposed Policy Approach with 10% Affordable Units
Parking	Schedule C	Reduced	Reduced
Assumed Density	2.0	2.2	2.2
RTE	No	No	Yes
Affordable Units	0%	0%	10%
Family Units	25%	25%	30%
Estimated Profit Margin as % of Cost	5.1%	12.4%	10.2%
Estimated Annual Yield on Costs	4.3%	4.6%	4.4%
Financially Viable	No	Yes	Possibly

Site 6 – 800 Block Caledonia – Core Residential

Scenario Number	1	2	3
Scenario	Base Case - Existing Policy	Proposed Policy Approach 100% Market Rental with Affordable Units	Proposed Policy Approach with 10% Affordable Units
Parking	Schedule C	Reduced	Reduced
Assumed Density	5.0	5.5	5.5
RTE	No	No	Yes
Affordable Units	0%	0%	10%
Family Units	25%	25%	30%
Estimated Profit Margin as % of Cost	-4.3%	3.0%	0.6%
Estimated Annual Yield on Costs	4.1%	4.4%	4.2%
Financially Viable	No	No	No