
Financial Analysis Inputs to an Inclusionary Zoning Program for Port Moody

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Table of Contents

1.0	Introduction.....	1
1.1	Background.....	1
1.2	Professional Disclaimer	1
2.0	Urban Land Economics and Affordable Housing	3
3.0	Below Market Unit Assumptions	7
3.1	Share of Floorspace Not Units	7
3.2	Below Market Rents	7
3.3	Unit Mix and Sizes	8
3.4	Management and Ownership	8
4.0	Existing CAC and Density Bonus Policies	9
5.0	Approach to Analysis.....	10
5.1	Case Study Sites and Rezoning Scenarios	10
5.2	Approach to Financial Analysis	11
5.3	Case Study Sites and Redevelopment Scenarios.....	12
5.3.1	Site 1 – Commercial Property on St Johns Street	12
5.3.2	Site 2 – Single Family Assembly on St Johns Street.....	12
5.3.3	Site 3 – Industrial Property on Murray Street	13
5.3.4	Site 4 – Older Rental Apartment on St Johns Street	13
5.3.5	Site 5 – Older Townhouse Project on Dewdney Trunk Road	13
5.3.6	Site 6 – Older Low Density Commercial Property on Barnet Highway	13
6.0	Summary of Financial Analysis.....	14
6.1	Rezoning with 12.5% Below Market Rental.....	15
6.1.1	4 Storey Strata Rezoning Scenarios.....	15
6.1.2	6 Storey Strata Rezoning Scenarios.....	16
6.1.3	Highrise Strata Rezoning Scenarios.....	17
6.1.4	Townhouse Rezoning Scenarios	18
6.1.5	Rental Scenarios.....	19
6.2	Rezoning with 15% Below Market Rental.....	20

6.2.1	4 Storey Strata Rezoning Scenarios.....	20
6.2.2	6 Storey Strata Rezoning Scenarios.....	21
6.2.3	Highrise Strata Rezoning Scenarios.....	22
6.2.4	Townhouse Rezoning Scenarios	23
6.2.5	Rental Scenarios.....	24
6.3	Rezoning in TOD Locations - 20% Below Market Rental.....	24
6.4	Other Analysis	25
6.5	Overall Findings	25
7.0	Other Factors to Consider	28
8.0	Conclusions	29
8.1	Key Findings	29
8.2	Policy Considerations	30

1.0 Introduction

1.1 Background

The City of Port Moody currently negotiates the inclusion of below-market rental units in multifamily developments on a case by case basis. While the City has been successful in negotiating the inclusion of below market rental units using this approach, the City has recognized that a consistent approach to the inclusion of below market rental units needs to be identified in order to make the process more transparent.

Therefore, Council recently passed the Interim Affordable Housing Guidelines in order to provide development applicants with direction regarding the expectation of affordable housing units at new multifamily residential and mixed-use residential projects. The Interim Guidelines indicate that 15% of units in projects seeking rezoning should be below market rental units. This applies to projects with more than 30 units.

Building on the interim guidelines, the City is now developing an inclusionary zoning policy that will require below-market rental units in multi-family development applications seeking additional density.

The City is specifically interested in testing the ability of projects to provide between 12.5% and 15% of total residential floor area as below market rental units, with 20% below market rental in Transit Oriented Development (TOD) locations.

As input to the policy development, the City retained Coriolis Consulting Corp to analyze the likely financial performance of multifamily residential development in Port Moody and the potential impact of a below market unit requirement. The focus of the financial analysis was to:

- Evaluate financial performance of different types of multifamily residential projects in the City in the absence of a below market unit requirement.
- Estimate the potential impact of a below market unit requirement on the financial performance of new projects.
- Evaluate the potential impacts on land values for development sites.
- Evaluate the potential impact on the financial viability of new development projects.
- Comment on the implications for bonus density contributions from new projects.
- Identify the implications.

This report provides a summary of the analysis that we completed and identifies the key findings. All of the financial analysis contained in this report is based on market conditions as of mid-2021.

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.

Nothing contained in this report, express or implied, shall confer rights or remedies upon, or create any contractual relationship with, or cause of action in favor of, any third party relying upon this document.

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

2.0 Urban Land Economics and Affordable Housing

The reason that development projects are able, in financial terms, to provide amenities, such as affordable housing, in exchange for additional development rights is that the additional development rights achieved via rezoning (or bonus density zoning) have value. Otherwise, a developer could not absorb the cost of the affordable housing.

When a developer acquires a development site the developer is buying land, but in land economics terms the developer is buying the development entitlements that go along with the land (in the form of zoning). The amount a developer is able to pay for a property is in large part a function of the type and amount of development likely to be approved and the anticipated financial performance of that development.

To illustrate the impact of an affordable housing requirement in land economics terms, Exhibit 1 shows simplified financial analysis for a hypothetical development project (in this case a strata apartment development) under four different scenarios:

- The first scenario assumes the site is zoned for 75 strata apartment units.
- The second scenario assumes the site is up-zoned to allow 150 strata apartment units with no affordable housing.
- The third scenario assumes the site is up-zoned to allow 150 apartment units with a requirement that 10 of the units are affordable housing units.
- The fourth scenario assumes the site is up-zoned to allow 150 apartment units with a requirement that 20 of the units are affordable housing units.

The site is assumed to be improved with an existing commercial building that has a market value of about \$8 million based on the net income generated by the building (i.e. the value of the property if sold to an investor). In all four scenarios, the site size, the assumed average selling price of individual units (measured in dollars per square foot), and the assumed construction cost (measured in dollars per square foot) are the same.

Please note that all of the figures shown in the exhibit are for illustrative purposes only and are not intended to be reflective of actual market values or costs. The figures in the exhibit are not the figures used in our analysis and are provided simply to illustrate the impact of an affordable housing contribution on the economics of development and on land values.

Exhibit 1: Redevelopment Economics for Hypothetical Apartment Project (Illustrative only)

Figures in \$ millions	Scenario 1	Scenario 2	Scenario 3	Scenario 3
	Site zoned for 75 unit apartment project	Site up-zoned to 150 units, no affordable units	Site up-zoned to 150 units with 10 affordable units	Site up-zoned to 150 units with 20 affordable units
Revenue				
Strata Units (\$650K per unit)	\$48.8	\$97.5	\$91.0	\$84.5
Affordable Units (\$250K per unit)	\$0.0	\$0.0	\$2.5	\$5.0
Total Revenue	\$48.8	\$97.5	\$93.5	\$89.5
Less Costs and Profit				
All-in Creation Costs	\$35.6	\$71.3	\$71.3	\$71.3
Less Profit Allowance (15% of costs)	\$6.4	\$12.7	\$12.2	\$11.7
Equals Land Value Supported by Development	\$6.8	\$13.5	\$10.1	\$6.6
Change in Land Value from Previous Scenario	n/a	\$6.7	-\$3.5	-\$3.5
Value under existing use	\$8.0	\$8.0	\$8.0	\$8.0
Viable for redevelopment	no	yes	yes	no
Maximum financial room for other amenity contributions	n/a	\$5.5	\$2.1	-\$1.4

Scenario 1 is the base case and shows how this project performs, in financial terms, under existing zoning. The developer in this case earns a typical profit margin (calculated as a margin of 15% of total costs¹), if the developer pays a maximum of \$6.8 million for the site. However, the existing use supports a value of about \$8 million (if sold to an investor) so the site is not attractive for redevelopment at the required profit margin. It is important to note that this is not always the case as some sites are financially attractive for redevelopment under existing zoning. However, this result is often the situation for existing low density commercial buildings in Metro Vancouver, including Port Moody.

Scenario 2 shows how the project would perform if the site is rezoned to allow a higher density project without providing any affordable housing (or a bonus density/amenity contribution). The project is bigger so the total revenue from unit sales, total cost, total profit, and total supportable land value are of course higher (proportionately). However, it is important to note that the profit margin is the same (15% of costs). The developer's ability to pay for the property increases to \$13.5 million (or \$5.5 million more than the existing value of \$8 million) because it allows a larger project (more density). This is higher than the site's value under existing use as a commercial investment property, so there is an incentive for the existing owners to sell and the site is now financially attractive for redevelopment.

¹ 15% of costs including the estimated supportable land value (this is equal to 13% of gross revenue).

In this case, the rezoning creates additional density and value which makes a site viable for redevelopment that was not viable for development under existing zoning (Scenario 1). The question now is whether the project can also support affordable housing (or an amenity contribution).

Scenario 3 shows how the project would work if the site is rezoned with a requirement for 10 of the units to be affordable housing units. The project is now the same size as in Scenario 2, but the value of the affordable housing units is lower than the strata units so the total revenue in Scenario 3 is lower. This illustrates that:

- The project is still financially viable to the developer.
- The project includes 10 affordable housing units.
- The developer can afford to pay \$10.1 million, which is higher than the existing \$8 million property value. This still creates the opportunity for the developer to offer an incentive to the existing property owner to make their property available for redevelopment.

Scenario 4 shows how the project is no longer viable when the amount of affordable housing units is increased to 20 units. The project is the same size as Scenarios 2 and 3, but the additional 10 affordable units reduces the value the developer can pay to acquire the site to less than the existing value of the site.

These scenarios illustrate key points about rezonings and affordable housing requirements:

1. With the affordable housing requirement, the rezoning is still attractive to the developer in Scenario 3, who earns the same profit margin in Scenarios 2 and 3 (15% of costs). The difference is that the developer cannot pay the same amount to the land owner in Scenario 3 as in Scenario 2 so the affordable housing requirement will reduce land values.
2. The amount of the affordable housing is limited by the value created by the additional bonus density.
3. Land owners often require an incentive to sell their property (particularly if the site is not vacant). The financial impact of the affordable housing requirement should be less than the additional value created by the rezoning to create an incentive for the property owner to sell to the developer.
4. In Scenario 4, the addition of 10 extra affordable housing units reduces the value the developer can pay below the existing value of the site so the site is no longer attractive as a development site. This shows how the amount a developer can pay for a site is highly sensitive to the number of affordable housing units that are required at a project.
5. The additional land value created by the bonus density:
 - Can make redevelopment of a site financially viable when it is not viable under existing zoning.
 - Creates the potential for the inclusion of affordable housing units or the potential for a community benefit/amenity contribution (or both).
 - Creates an incentive to the existing owner to sell the property for redevelopment, if the affordable housing requirement is set appropriately.
6. The inclusion of the affordable units does not change the price of the market strata units (the market units in Scenarios 3 and 4 sell for the same price as in the other scenarios) because strata prices are set by supply and demand in the marketplace.

The City of Port Moody's existing OCP and density bonus policies have been in place for several years. Until recently there was no policy indicating an affordable housing expectation from rezonings. So, there are numerous development sites in the City that have sold based on the heights and densities outlined in the

OCP, but with no expectation that an affordable housing component would be required (similar to Scenario 2). The proposed affordable housing policy will impact the financial performance of new projects as outlined in Scenarios 3 and 4, reducing the market value of the land. Any developer who acquired a site without the expectation for an affordable housing requirement will have difficulty providing the affordable housing units as they would not have factored the affordable housing requirement into the land acquisition decision.

3.0 Below Market Unit Assumptions

The financial ability of new projects to provide affordable housing (i.e. below market rental or non-market rental) is created by the value of additional density that is available through rezoning. The greater the value of the additional density, the greater the amount of affordable housing that can be provided by a project. If the cost of the affordable housing requirement to the developer exceeds the value of the additional density, then there is no incentive to rezone, resulting in no affordable housing contributions.

The amount of affordable housing that is financially viable at individual projects will be influenced by factors that affect the cost of creating the units and by factors that affect the value of the completed affordable units to the developer, such as the required size of the units, the mix of unit types (studio, 1BR, 2BR, 3BR), any regulations that control rent increases over time, and the approach to tenant selection and tenant management.

Our analysis is based on the following assumptions about the below market units.

3.1 Share of Floorspace Not Units

The below market unit requirement is set as percentage of total residential floorspace, not as a percentage of total housing units.

3.2 Below Market Rents

Rents will be set at 20% below the average rent² reported by CMHC for the Tri-Cities (Port Moody, Coquitlam, Port Coquitlam). The 2021 rents would be as follows.

Exhibit 2: Below Market Rents

Unit Type	Assumed Maximum Below Market Monthly Rent (\$2021)	Approximate Average Monthly Rent for New Rental Units in Port Moody	Percentage Discount on Market Rent for a New Rental Apartment in Port Moody ³
Studios	\$786	\$1,600	~50%
1-Bedroom	\$977	\$1,800	~45%
2-Bedroom	\$1,258	\$2,400	~50%
3-Bedroom	\$1,496	\$2,850	~50%

Rents would be regulated by the Residential Tenancy Act. When a unit turns-over to a new tenant, the rent would be reset to 20% below the CMHC reported average Tri-Cities rents for the year of the new tenancy.

² Row and Apartment units.

³ Based on market research by Coriolis Consulting Corp. in mid 2021.

3.3 Unit Mix and Sizes

Our analysis assumes the following mix of bedroom types and average unit sizes.

Exhibit 3: Below Market Units Sizes and Bedroom Types

Unit Type	Average Unit Size	Share of Units
Studios	400 sf	30%
1-Bedroom	500 sf	40%
2-Bedroom	750 sf	20%
3-Bedroom	1,000 sf	10%
Average Unit Size	570 sf	n/a

Small changes in the unit size assumptions do not have a large impact on the financial analysis results as the below market unit requirement is set as percentage of residential floorspace, not a share of the number of housing units.

3.4 Management and Ownership

The below market units could be retained by the developer or sold. A non-profit would be required to manage tenant selection and other tenant related management tasks. This will result in additional operating expense to the owner of the units. Therefore, our financial analysis includes an allowance to cover this cost.

4.0 Existing CAC and Density Bonus Policies

Port Moody currently uses two different approaches to obtain amenity contributions from new development projects:

1. Community Amenity Contributions (CACs). Projects that seek rezoning are subject to a CAC to help fund new amenities and affordable housing. The current CAC rate is \$6 per square foot of net new residential floorspace up to 2.5 FAR.
2. Bonus Density. The City seeks a bonus density contribution from rezonings for market residential floorspace in excess of 2.5 FAR. The density bonus contribution is equal to 75% of the agreed upon land value created by residential density over 2.5 FAR. Determining the actual value of the contribution requires analysis and negotiation between the applicant and the City. The calculation of the FAR for the density bonus evaluation excludes floor area that is used for non-residential uses and the provision of low income housing or moderate income housing.

The inclusion of the below market rental units has an impact on the financial performance of a project and the additional land value created by bonus density. Therefore, a requirement for below market rental units will have a downward influence on the value of any bonus density. This is taken into account in our analysis.

Our analysis assumes that residential density over 2.5 FAR is comprised partly of below market rental units (equal to 12.5%, 15% or 20% of the bonus density depending on the scenario). This reduces the value of the estimated potential bonus density contribution in comparison to scenarios that do not include below market housing. The higher the share of below market rental housing, the larger the impact on the density bonus contribution.

5.0 Approach to Analysis

This section describes the approach we used for the financial analysis for each case study site.

5.1 Case Study Sites and Rezoning Scenarios

Some projects may have the financial room to provide a greater share of affordable units than other projects due to the amount of bonus density permitted and/or the cost of creating the affordable units (for example, affordable housing creation costs will be lower for woodframe projects than concrete projects). Therefore, the analysis considers the supportable affordable housing at a cross section of different types of sites that represent the types of projects likely to occur in Port Moody.

We analyzed the financial viability of redevelopment of six different case study sites in different OCP designations in the City. The sites are all improved with older, low density improvements, similar to the types of properties that have been the focus of redevelopment proposals in the City over the past few years.

The redevelopment scenarios focused on strata (ownership) scenarios. However, we also analyzed the financial performance of below market rental housing within a 100% rental building.

For each site, we analyzed multiple rezoning and redevelopment scenarios to capture the range of rezonings that could occur in the City going forward. The redevelopment scenarios analyzed include:

- Townhouse development at assumed densities in the range of 0.85 to 1.25 FAR.
- 4 Storey apartment or mixed use commercial and apartment at assumed densities in the range of 2.0 to 2.3 FAR.
- 6 Storey apartment or mixed use commercial and apartment at assumed densities in the range of 2.75 to 3.2 FAR.
- Highrise apartment or mixed use commercial and apartment at 3.5 to 4.5 FAR

In total we analyzed 20 different redevelopment scenarios. A summary of the 20 scenarios is shown in Exhibit 4. Additional detail is provided in Section 5.3. For each development scenario we analyzed a variety of affordable housing options resulting in over 50 different scenarios.

Exhibit 4: Summary of Types of Case Study Scenarios Analyzed

	Townhouse	4 Storey Apartment or Mixed Use	6 Storey Apartment or Mixed Use	Highrise Apartment or Mixed Use	4 to 6 Storey Rental	Total
Site 1	0	1	1	2	0	4
Site 2	2	1	1	0	2	6
Site 3	0	1	1	0	0	2
Site 4	0	1	1	0	0	2
Site 5	2	1	1	0	0	4
Site 6	0	0	0	2	0	2
Total	4	5	5	4	2	20

5.2 Approach to Financial Analysis

Using proforma analysis, we analyzed the financial performance of rezoning and redevelopment of each case study site and each development scenario with and without affordable rental housing.

Our analysis was completed using the following main steps:

1. We identified case study sites for the financial analysis. Sites were improved with older, low density commercial/industrial buildings or older single family homes, similar to the types of properties that have been the focus of development in the City over the past several years. The sites were selected to represent a cross-section of the different land use categories, locations, zoning districts and existing uses in the City.
2. We estimated the existing value of each case study in the absence of rezoning. For this estimate, we considered three different values:
 - a. The value supported by the existing use:
 - For income producing properties (commercial, industrial or rental apartment), this is the capitalized value of the net income stream generated by the existing improvements. This is the value that an investor would be willing to pay for the property to retain the existing improvements and collect rent for the long term.
 - For residential properties, this is the value of the property as an existing residence. For residential properties that require assembly, we assume that the developer would also need to pay a premium over existing value in order to create an incentive for the existing home owner to sell for redevelopment. The amount of the required assembly premium would vary from property to property. Our analysis assumes that an additional 25% of value is ample to create an incentive for existing home owners to sell for redevelopment. Some owners may require less and some may not be interested in selling even at a higher premium (which suggests the site is not yet a development candidate).

- b. The land value under existing zoning.

The highest of these indicators is the existing market value of the site.

3. We estimated the rezoned land value at the assumed redevelopment densities without affordable housing. The assumed redevelopment densities were determined with input from City staff. For rezonings that exceed 2.5 FAR of market residential floorspace, this analysis included an estimate of the density bonus contribution that would be expected from the project.
4. We re-analyzed the scenarios in step 3 with an assumed affordable rental housing component to determine the impact of the affordable housing on the rezoned land value. We considered up to three different affordable housing scenarios for each site:
 - 12.5% of residential floorspace.
 - 15% of residential floorspace.
 - 20% of residential floorspace for sites in TOD areas.

The affordable housing component is assumed to replace space that would otherwise have been used for strata residential. Because the affordable housing has less value per square foot than the strata

residential space, it negatively impacts the financial performance of the overall project and reduces the estimated land value that a developer can afford to pay for the site.

5. For each site and each development scenario, we used the proforma analysis to determine the following impacts of the assumed affordable housing requirement:
 - The potential impacts on land value for development sites.
 - The impact on the financial viability of new development projects. For a scenario to be financially viable, the land supported by rezoning and redevelopment needs to be equal to or higher than the estimated value under existing use and zoning.
 - The implications for the value of any bonus density contributions to the City from new projects.

5.3 Case Study Sites and Redevelopment Scenarios

With input from City staff, we selected six different sites that are representative of the typical redevelopment properties in the City, spanning a cross section of locations, OCP designations, existing zoning, and existing use. We then analyzed the likely financial performance of a wide range of different redevelopment scenarios at the six different sites. The case study sites and scenarios are outlined below.

5.3.1 Site 1 – Commercial Property on St Johns Street

Site 1 is an older low density commercial property located on St Johns Street. The site area is about 26,000 square feet. The property is designated in the OCP as Mixed Use - Moody Centre at 4 Storeys and zoned C3 (General Commercial). The following redevelopment scenarios were analyzed for this property:

1. 4 Storey mixed use commercial and apartment redevelopment at 2.3 FAR.
2. 6 Storey mixed use commercial and apartment redevelopment at 3.2 FAR.
3. Highrise mixed use commercial and apartment redevelopment at 3.5 FAR.
4. Highrise mixed use commercial and apartment redevelopment at 4.5 FAR.

5.3.2 Site 2 – Single Family Assembly on St Johns Street

Site 2 is an assembly of older single family properties with a combined site area of about 26,000 square feet located on St Johns Street. The property is designated in the OCP as Mixed Use – Moody Centre and zoned RS1 (Single Detached Residential). The following redevelopment scenarios were analyzed for this property:

1. Townhouse at 0.85 FAR with grade level garage parking.
2. Townhouse at 1.25 FAR with underground parking.
3. 4 Storey mixed use commercial and apartment redevelopment at 2.3 FAR.
4. 6 Storey mixed use commercial and apartment redevelopment at 3.2 FAR.

We tested the apartment scenarios as both strata and rental for this site.

5.3.3 Site 3 – Industrial Property on Murray Street

Site 3 is an older low density industrial property located on Murray Street. The site area is about 29,000 square feet. The property is designated in the OCP as Mixed Employment at 6 Storeys and zoned M1 (Light Industrial). The following redevelopment scenarios were analyzed for this property:

1. 4 Storey mixed use commercial and apartment redevelopment at 2.3 FAR.
2. 6 Storey mixed use commercial and apartment redevelopment at 3.2 FAR.

5.3.4 Site 4 – Older Rental Apartment on St Johns Street

Site 4 is an older low density rental property on St Johns Street. The site area is about 35,000 square feet. The property is designated in the OCP for Multi Family Residential at 6 Storeys and zoned RM4 (Medium Density Townhouse Residential). The following redevelopment scenarios were analyzed for this property:

1. 4 Storey apartment redevelopment at 2.0 FAR.
2. 6 Storey apartment redevelopment at 2.75 FAR.

5.3.5 Site 5 – Older Townhouse Project on Dewdney Trunk Road

Site 5 is an older strata townhouse property on Dewdney Trunk Road. The site area is about 57,000 square feet. The property is designated in the OCP as Multi Family Residential and zoned RM1 (Semi Detached and Townhouse Residential). The following redevelopment scenarios were analyzed for this property:

1. Townhouse at 0.85 FAR with grade level garage parking.
2. Townhouse at 1.25 FAR with underground parking.
3. 4 Storey apartment redevelopment at 2.0 FAR.
4. 6 Storey apartment redevelopment at 2.75 FAR.

5.3.6 Site 6 – Older Low Density Commercial Property on Barnet Highway

Site 7 is an older low density commercial property located on Barnet Highway. The site area is about 90,000 square feet. The property is designated in the OCP as Mixed Use – Inlet Centre at 26 Storeys and zoned C5 (Automobile Sales and Services). The following redevelopment scenarios were analyzed for this property:

1. Highrise mixed use commercial and apartment redevelopment at 3.5 FAR.
2. Highrise mixed use commercial and apartment redevelopment at 4.5 FAR.

6.0 Summary of Financial Analysis

This section summarizes the findings of the financial analysis for the various sites and scenarios.

To summarize the analysis, we grouped the various scenarios by the type of rezoning (4 storey, 6 storey, highrise, townhouse, rental).

For each type of rezoning, we created summaries for the following scenarios:

- Assuming no below market rental units are included in the rezoning concept.
- Assuming 12.5% of the residential floorspace is allocated to below market rental units.
- Assuming 15% of the residential floorspace is allocated to below market rental units.
- For select scenarios, assuming 20% of the residential floorspace is allocated to below market rental units.

The summaries show the following information for each site and scenario:

- The site location.
- The site size.
- The current use and current zoning.
- The estimated property value under existing use and zoning.
- The assumed rezoning density.
- The estimated CAC value and bonus density value (if any) created by the rezoning.
- The estimated land value under the rezoning scenario.
- Whether or not the rezoning scenario is financially viable (i.e. rezoned land value equals or exceeds the value under existing zoning).

Because of the large number of sites and scenarios analyzed (over 50 scenarios), we have not included the detailed proformas for each site and each scenario in this summary report.

6.1 Rezoning with 12.5% Below Market Rental

This section summarizes the findings for the scenarios that assumed 12.5% of the residential floorspace is allocated to below market rental units.

6.1.1 4 Storey Strata Rezoning Scenarios

Exhibits 5 to 7 summarize the findings of our analysis for 4 storey apartment and mixed use projects.

Exhibit 5: 4 Storey Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	2.30	\$281,791	\$0	\$7,465,832	Yes
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$7,737,984	Yes
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	2.30	\$335,790	\$0	\$8,689,655	Yes
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.00	\$188,179	\$0	\$6,156,624	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.00	\$480,635	\$0	\$10,945,144	No

Exhibit 6: 4 Storey Rezoning Scenarios – 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	2.30	\$281,791	\$0	\$5,785,911	no
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$5,835,410	Yes
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	2.30	\$335,790	\$0	\$6,632,239	Yes
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.00	\$188,179	\$0	\$3,715,440	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.00	\$480,635	\$0	\$7,519,543	No

Exhibit 7: 4 Storey Rezoning Scenarios – Impact of 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	no impact	0.00	\$0	0%	-23%	Impacts Viability
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-25%	Remains Viable
Site 3	29,000	M1	Older Industrial Property	no impact	0.00	\$0	0%	-24%	Remains Viable
Site 4	35,000	RM4	Older Rental Apartment	no impact	0.00	\$0	0%	-40%	Remains Not Viable
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	0%	-31%	Remains Not Viable

The key findings for the 4 storey apartment and mixed scenarios are as follows:

- Three of the five scenarios we tested are financially viable in the absence of a below market requirement. This declines to two out of five scenarios with a 12.5% below market rental component.

- A 12.5% below market rental requirement will reduce the land value supported by rezoning to 4 storeys by between about 23% and 40% depending on the site.
- There is no impact on density bonus contributions as none of these scenarios would include more than 2.5 FAR of residential floorspace.

6.1.2 6 Storey Strata Rezoning Scenarios

Exhibits 8 to 10 summarize the findings of our analysis for 6 storey apartment and mixed use projects.

Exhibit 8: 6 Storey Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.20	\$368,040	\$960,498	\$9,433,211	Yes
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$392,070	\$960,572	\$9,600,532	Yes
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	3.20	\$430,500	\$1,054,725	\$10,778,160	Yes
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.75	\$292,723	\$914,760	\$8,179,913	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.75	\$628,979	\$1,298,010	\$13,818,740	Yes

Exhibit 9: 6 Storey Rezoning Scenarios – 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.20	\$368,040	\$0	\$7,800,164	Yes
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$392,070	\$0	\$7,939,908	Yes
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	3.20	\$430,500	\$0	\$8,849,909	Yes
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.75	\$292,723	\$0	\$5,820,091	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.75	\$628,979	\$0	\$10,501,049	No

Exhibit 10: 6 Storey Rezoning Scenarios – Impact of 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	no impact	0.00	\$0	-100%	-17%	Remains Viable
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	-100%	-17%	Remains Viable
Site 3	29,000	M1	Older Industrial Property	no impact	0.00	\$0	-100%	-18%	Remains Viable
Site 4	35,000	RM4	Older Rental Apartment	no impact	0.00	\$0	-100%	-29%	Remains Not Viable
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	-100%	-24%	Impacts Viability

The key findings for the 6 storey apartment and mixed scenarios are as follows:

- Four of the five scenarios we tested are financially viable in the absence of a below market requirement. This declines to three out of five scenarios with a 12.5% below market rental component.

- A 12.5% below market rental requirement will reduce the land value supported by rezoning to 6 storeys by between about 17% and 29% depending on the site.
- The below market rental component will completely eliminate the potential density bonus contributions from the 6 storey scenarios that we tested because the market residential density will drop below 2.5 FAR with the inclusion of the below market units.

6.1.3 Highrise Strata Rezoning Scenarios

Exhibits 11 to 13 summarize the findings of our analysis for highrise apartment and mixed use projects.

Exhibit 11: Highrise Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	\$12,000,000	4.50	\$1,362,330	\$12,084,489	\$33,208,247	Yes
Site 6	90,000	C5	Car Dealership	\$12,000,000	3.50	\$1,362,330	\$4,710,773	\$30,750,342	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	4.50	\$368,040	\$3,486,065	\$8,885,235	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.50	\$368,040	\$1,368,922	\$8,179,520	Yes

Exhibit 12: Highrise Rezoning Scenarios – 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	\$12,000,000	4.50	\$1,362,330	\$7,388,716	\$22,370,139	Yes
Site 6	90,000	C5	Car Dealership	\$12,000,000	3.50	\$1,362,330	\$2,845,871	\$20,855,858	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	4.50	\$368,040	\$2,127,747	\$5,729,230	No
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.50	\$368,040	\$836,015	\$5,298,653	No

Exhibit 13: Highrise Rezoning Scenarios – Impact of 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	no impact	0.00	\$0	-39%	-33%	Remains Viable
Site 6	90,000	C5	Car Dealership	no impact	0.00	\$0	-40%	-32%	Remains Viable
Site 1	26,000	C3	Existing Strip Commercial	no impact	0.00	\$0	-39%	-36%	Impacts Viability
Site 1	26,000	C3	Existing Strip Commercial	no impact	0.00	\$0	-39%	-35%	Impacts Viability

The key findings for highrise scenarios are as follows:

- All four of scenarios we tested are financially viable in the absence of a below market requirement. This declines to two of the four scenarios with a 12.5% below market rental component.
- A 12.5% below market rental requirement will reduce the land value supported by rezoning to highrise by between about 32% and 36% depending on the site.

- The below market rental component will reduce the potential density bonus contributions from the highrise scenarios that we tested by about 39% or 40% because the value of the bonus density over 2.5 FAR is reduced due to the below market rental units that account for part of the bonus density.

6.1.4 Townhouse Rezoning Scenarios

Exhibits 14 to 16 summarize the findings of our analysis for townhouse projects.

Exhibit 14: Townhouse Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	0.85	\$47,048	\$0	\$5,345,891	Probably
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	0.85	\$139,443	\$0	\$10,881,117	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	1.25	\$117,621	\$0	\$5,789,602	Yes
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	1.25	\$258,119	\$0	\$11,614,036	No

Exhibit 15: Townhouse Rezoning Scenarios – 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	0.85	\$47,048	\$0	\$4,227,968	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	0.85	\$139,443	\$0	\$8,929,225	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	1.25	\$117,621	\$0	\$4,425,363	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	1.25	\$258,119	\$0	\$9,051,881	No

Exhibit 16: Townhouse Rezoning Scenarios – Impact of 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-21%	Impacts Viability
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	0%	-18%	Remains Not Viable
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-24%	Impacts Viability
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	0%	-22%	Remains Not Viable

The key findings for the townhouse scenarios are as follows:

- Two of the four scenarios we tested are financially viable in the absence of a below market requirement. None are viable with a 12.5% below market rental component.
- A 12.5% below market rental requirement will reduce the land value supported by rezoning to townhouse by between about 18% and 22% depending on the site and the rezoned density.
- There is no impact on density bonus contributions as none of these scenarios would include more than 2.5 FAR of residential floorspace.

6.1.5 Rental Scenarios

Exhibits 17 to 19 summarize the findings of our analysis for 4 to 6 storey rental projects.

Exhibit 17: Rental Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$4,766,001	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$368,546	\$0	\$5,916,677	Yes

Exhibit 18: Rental Rezoning Scenarios – 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$3,298,132	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$368,546	\$0	\$4,098,786	No

Exhibit 19: Rental Rezoning Scenarios – Impact of 12.5% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-31%	Remains Non Viable
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-31%	Impacts Viability

The key findings for the rental scenarios are as follows:

- One of the two scenarios we tested is financially viable in the absence of a below market requirement. None are viable with a 12.5% below market rental component.
- A 12.5% below market rental requirement will reduce the land value supported by rezoning to 4 to 6 storey rental by about 31%.
- There is no impact on density bonus contributions as these rental scenarios do not support a density bonus contribution in the absence of below market units.

6.2 Rezoning with 15% Below Market Rental

This section summarizes the findings for the scenarios that assume 15% of the residential floorspace is allocated to below market rental units.

6.2.1 4 Storey Strata Rezoning Scenarios

Exhibits 20 to 22 summarize the findings of our analysis for 4 storey apartment and mixed use projects.

Exhibit 20: 4 Storey Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	2.30	\$281,791	\$0	\$7,465,832	Yes
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$7,737,984	Yes
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	2.30	\$335,790	\$0	\$8,689,655	Yes
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.00	\$188,179	\$0	\$6,156,624	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.00	\$480,635	\$0	\$10,945,144	No

Exhibit 21: 4 Storey Rezoning Scenarios – 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	2.30	\$281,791	\$0	\$5,411,265	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$5,560,347	No
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	2.30	\$335,790	\$0	\$6,308,013	No
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.00	\$188,179	\$0	\$3,277,212	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.00	\$480,635	\$0	\$6,805,998	No

Exhibit 22: 4 Storey Rezoning Scenarios – Impact of 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	no impact	0.00	\$0	0%	-28%	Impacts Viability
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-28%	Impacts Viability
Site 3	29,000	M1	Older Industrial Property	no impact	0.00	\$0	0%	-27%	Impacts Viability
Site 4	35,000	RM4	Older Rental Apartment	no impact	0.00	\$0	0%	-47%	Remains Not Viable
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	0%	-38%	Remains Not Viable

The key findings for the 4 storey apartment and mixed scenarios are as follows:

- Three of the five scenarios we tested are financially viable in the absence of a below market requirement. None of the scenarios are viable with a 15% below market rental component.

- A 15% below market rental requirement will reduce the land value supported by rezoning to 4 storeys by between about 27% and 47% depending on the site and the rezoned density.
- There is no impact on density bonus contributions as none of these scenarios would include more than 2.5 FAR of residential floorspace.

6.2.2 6 Storey Strata Rezoning Scenarios

Exhibits 23 to 25 summarize the findings of our analysis for 6 storey apartment and mixed use projects.

Exhibit 23: 6 Storey Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.20	\$368,040	\$960,498	\$9,433,211	Yes
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$392,070	\$960,572	\$9,600,532	Yes
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	3.20	\$430,500	\$1,054,725	\$10,778,160	Yes
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.75	\$292,723	\$914,760	\$8,179,913	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.75	\$628,979	\$1,298,010	\$13,818,740	Yes

Exhibit 24: 6 Storey Rezoning Scenarios – 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.20	\$368,040	\$0	\$7,284,443	Yes
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$392,070	\$0	\$7,533,801	Yes
Site 3	29,000	M1	Older Industrial Property	\$6,597,643	3.20	\$430,500	\$0	\$8,361,286	Yes
Site 4	35,000	RM4	Older Rental Apartment	\$12,300,000	2.75	\$292,723	\$0	\$5,138,561	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	2.75	\$628,979	\$0	\$9,645,404	No

Exhibit 25: 6 Storey Rezoning Scenarios – Impact of 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 1	26,000	C3	Existing Strip Commercial	no impact	0.00	\$0	-100%	-23%	Remains Viable
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	-100%	-22%	Remains Viable
Site 3	29,000	M1	Older Industrial Property	no impact	0.00	\$0	-100%	-22%	Remains Viable
Site 4	35,000	RM4	Older Rental Apartment	no impact	0.00	\$0	-100%	-37%	Remains Not Viable
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	-100%	-30%	Impacts Viability

The key findings for the 6 storey apartment and mixed scenarios are as follows:

- Four of the five scenarios we tested are financially viable in the absence of a below market requirement. This declines to three out of five scenarios with a 15% below market rental component.

- A 15% below market rental requirement will reduce the land value supported by rezoning to 6 storeys by between about 22% and 37% depending on the site and the rezoned density.
- The below market rental component will completely eliminate the potential density bonus contributions from the 6 storey scenarios that we tested because the market residential density will drop below 2.5 FAR with the inclusion of the below market units.

6.2.3 Highrise Strata Rezoning Scenarios

Exhibits 26 to 28 summarize the findings of our analysis for the highrise apartment and mixed use projects.

Exhibit 26: Highrise Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	\$12,000,000	4.50	\$1,362,330	\$12,084,489	\$33,208,247	Yes
Site 6	90,000	C5	Car Dealership	\$12,000,000	3.50	\$1,362,330	\$4,710,773	\$30,750,342	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	4.50	\$368,040	\$3,486,065	\$8,885,235	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.50	\$368,040	\$1,368,922	\$8,179,520	Yes

Exhibit 27: Highrise Rezoning Scenarios – 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	\$12,000,000	4.50	\$1,362,330	\$6,492,418	\$20,254,898	Yes
Site 6	90,000	C5	Car Dealership	\$12,000,000	3.50	\$1,362,330	\$2,451,658	\$18,907,978	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	4.50	\$368,040	\$1,928,293	\$5,064,331	No
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	3.50	\$368,040	\$772,760	\$4,679,154	No

Exhibit 28: Highrise Rezoning Scenarios – Impact of 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	no impact	0.00	\$0	-46%	-39%	Remains Viable
Site 6	90,000	C5	Car Dealership	no impact	0.00	\$0	-48%	-39%	Remains Viable
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	0.00	\$0	-45%	-43%	Impacts Viability
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	0.00	\$0	-44%	-43%	Impacts Viability

The key findings for highrise scenarios are as follows:

- All four of scenarios we tested are financially viable in the absence of a below market requirement. This declines to two of the four scenarios with a 15% below market rental component.
- A 15% below market rental requirement will reduce the land value supported by rezoning to highrise by between about 39% and 43% depending on the site.

- The below market rental component will reduce the potential density bonus contributions from the highrise scenarios that we analyzed by about 44% to 48% because the value of the bonus density over 2.5 FAR is reduced due to the below market rental units that account for part of the bonus density.

6.2.4 Townhouse Rezoning Scenarios

Exhibits 29 to 31 summarize the findings of our analysis for the townhouse projects.

Exhibit 29: Townhouse Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	0.85	\$47,048	\$0	\$5,345,891	Probably
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	0.85	\$139,443	\$0	\$10,881,117	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	1.25	\$117,621	\$0	\$5,789,602	Yes
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	1.25	\$258,119	\$0	\$11,614,036	No

Exhibit 30: Townhouse Rezoning Scenarios – 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	0.85	\$47,048	\$0	\$4,076,498	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	0.85	\$139,443	\$0	\$8,598,001	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	1.25	\$117,621	\$0	\$4,237,376	No
Site 5	57,000	RM1	Older Strata Townhouse Assembly	\$13,117,750	1.25	\$258,119	\$0	\$8,568,473	No

Exhibit 31: Townhouse Rezoning Scenarios – Impact of 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-24%	Impacts Viability
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	0%	-21%	Remains Not Viable
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-27%	Impacts Viability
Site 5	57,000	RM1	Older Strata Townhouse Assembly	no impact	0.00	\$0	0%	-26%	Remains Not Viable

The key findings for the townhouse scenarios are as follows:

- Two of the four scenarios we tested are financially viable in the absence of a below market requirement. None are viable with a 15% below market rental component.
- A 15% below market rental requirement will reduce the land value supported by rezoning to townhouse by between about 21% and 27% depending on the site and the rezoned density.
- There is no impact on density bonus contributions as none of these scenarios would include more than 2.5 FAR of residential floorspace.

6.2.5 Rental Scenarios

Exhibits 32 to 34 summarize the findings of our analysis for 4 to 6 storey rental projects.

Exhibit 32: Rental Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$4,766,001	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$368,546	\$0	\$5,916,677	Yes

Exhibit 33: Rental Rezoning Scenarios – 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	2.30	\$227,401	\$0	\$3,231,595	No
Site 2	26,000	RS1	SF House Assembly	\$5,625,000	3.20	\$368,546	\$0	\$3,848,726	No

Exhibit 34: Rental Rezoning Scenarios – Impact of 15% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-32%	Remains Non Viable
Site 2	26,000	RS1	SF House Assembly	no impact	0.00	\$0	0%	-35%	Impacts Viability

The key findings for the rental scenarios are as follows:

- One of the two scenarios we tested is financially viable in the absence of a below market requirement. None are viable with a 15% below market rental component.
- A 15% below market rental requirement will reduce the land value supported by rezoning to 4 to 6 storey rental by between about 32% to 35% depending on the rezoned density.
- There is no impact on density bonus contributions as none of these scenarios support a density bonus contribution in the absence of below market units.

6.3 Rezoning in TOD Locations - 20% Below Market Rental

Exhibits 35 to 37 summarize the findings of our analysis for highrise projects in a TOD location with a 20% below market unit requirement.

Exhibit 35: Highrise Rezoning Scenarios – No Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	\$12,000,000	4.50	\$1,362,330	\$12,084,489	\$33,208,247	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	4.50	\$368,040	\$3,486,065	\$8,885,235	Yes

Exhibit 36: Highrise Rezoning Scenarios – 20% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	\$12,000,000	4.50	\$1,362,330	\$4,628,394	\$15,905,370	Yes
Site 1	26,000	C3	Existing Strip Commercial	\$6,231,142	4.50	\$368,040	\$1,312,755	\$3,854,883	No

Exhibit 37: Highrise Rezoning Scenarios – Impact of 20% Below Market Rental Units

Site	Site Size (sf)	Existing Zoning	Description	Value Under Existing Use/Zoning	Rezoning/Redevelopment Scenario				Viable for Rezoning and Redevelopment
					Total Density	Assumed Fixed Rate CAC	Assumed Density Bonus Value	Land Value Supported by Development	
Site 6	90,000	C5	Car Dealership	no impact	0.00	\$0	-62%	-52%	Remains Viable
Site 1	26,000	C3	Existing Strip Commercial	no impact	0.00	\$0	-62%	-57%	Impacts Viability

The key findings for the highrise scenarios with 20% below market housing are as follows:

- The two scenarios we tested are financially viable in the absence of a below market requirement. This declines to one of the two scenarios with a 20% below market rental component.
- A 20% below market rental requirement will reduce the land value supported by rezoning to highrise by between about 52% and 57% depending on the site.
- The below market rental component will reduce the potential density bonus contributions from the highrise scenarios that we analyzed by about 62% because the value of the bonus density over 2.5 FAR is reduced due to the below market rental units that account for part of the bonus density.

6.4 Other Analysis

Our financial analysis indicates that 4 storey apartment projects are not able meet the 12.5% to 15% affordable housing targets that we tested.

We completed some sensitivity analysis to estimate the minimum residential density that is likely required in order for a project to be able to provide any affordable housing (or cash-in-lieu contribution). Our analysis indicates that rezonings will require a minimum market residential density of about 2.0 FAR before the rezoning can support any material affordable housing contribution.

6.5 Overall Findings

1. A below market unit requirement will have significant impacts on the types of rezonings that are financially viable for private developers, the land value of development sites and the value of density bonus contributions from rezonings seeking more than 2.5 FAR of residential floorspace.
2. The scale of the impact will vary depending on the actual below market unit requirement. The greater the below market unit requirement, the larger the impact on development viability, land values and density bonus contributions.
3. Exhibit 38 shows the potential impacts on land values for the sites and scenarios that we tested.

Exhibit 38: Estimated Negative Impact on Rezoned Development Site Values

	12.5% Below Market	15% Below Market	20% Below Market
Townhouse	18% to 24%	21% to 27%	n/a ⁴
4 Storey Apartment	23% to 40%	27% to 47%	n/a
6 Storey Apartment	17% to 29%	22% to 37%	n/a
Highrise	32% to 36%	39% to 43%	52% to 57%
Rental Apartment	31%	23% to 35%	n/a

4. Exhibit 39 shows the potential impacts on the estimated density bonus contribution values to the City for the sites and scenarios that we tested.

Exhibit 39: Estimated Negative Impact on Density Bonus Contribution Values

	12.5% Below Market	15% Below Market	20% Below Market
Townhouse	No impact	No impact	n/a
4 Storey Apartment	No impact	No impact	n/a
6 Storey Apartment	100%	100%	n/a
Highrise	39% to 40%	44% to 48%	62%
Rental Apartment	No impact	No impact	n/a

5. Exhibit 40 shows the potential impact on the financial viability of rezonings for the sites and scenarios that we tested.

Exhibit 40: Estimated Impact on the Number of Case Study Scenarios that are Financially Viable

Number of Scenarios Tested that are Financially Viable	No Below Market	12.5% Below Market	15% Below Market	20% Below Market
Townhouse	2 of 4	0 of 4	0 of 4	n/a
4 Storey Apartment	3 of 5	2 of 5	0 of 5	n/a
6 Storey Apartment	4 of 5	3 of 5	3 of 5	n/a
Highrise	4 of 4	2 of 4	2 of 4	1 of 2
Rental Apartment	1 of 2	0 of 2	0 of 2	n/a
Total	14 of 20	7 of 20	5 of 20	n/a
Share of Scenarios Viable	70%	35%	25%	n/a
Percent Reduction from "No Below Market Scenario"	n/a	50%	65%	n/a

6. A below market requirement in the range of 12.5% to 15% would result in a significant reduction in the number rezonings that would be financially viable. Of the scenarios we tested, a 12.5% requirement would reduce the number of viable scenarios by about 50% and a 15% requirement would reduce the

⁴ n/a indicates that this scenario was not analyzed.

number of viable scenarios by about 65%. The impact would be greatest on townhouse projects and 4 storey apartment projects:

- For rezonings of 4 storeys or less, a below market component in the 12.5% to 15% range impacted the viability of 60% (12.5% below market) to 100% (15% below market) of the cases we tested.
 - For rezonings of 6 storeys or more, a below market component in the 12.5% to 15% range impacted the viability of about 45% of the cases we tested.
7. A 20% below market component would only be viable in very unique situations. To achieve this target, sites would need to have very low existing values under current zoning and be rezoned to very high permitted residential densities. There are likely few sites in Port Moody where a 20% requirement would be viable.
 8. Townhouse and lower density apartment rezonings cannot support any below market units. Our testing indicates that a minimum market residential density of about 2.0 FAR is likely required before a rezoning can make any material contribution toward affordable housing.
 9. The rental apartment scenarios we tested cannot support the below market requirements tested.

7.0 Other Factors to Consider

In addition to the results of the case study financial analysis, there are other factors that the City should consider when deciding whether to require on-site affordable housing from rezonings, including:

1. **Administration and enforcement.** If the City requires affordable housing units, there will be an increased administrative and legal load on City staff to ensure that the affordable units are being rented at the correct rental rates and that the units are being made available to the intended income groups. There will also be a need to negotiate with developers during the rezoning process about the location of the affordable housing units in the project, the mix of bedroom types, and unit sizes.
2. **Minimum project size.** The inclusion of on-site affordable rental units will involve negotiation with developers about unit sizes, mix and location in the project and will increase the administration and legal load on the City (and create management issues for developers of the units). In addition, if a project only includes a small number of affordable rental units, management of the units will be inefficient and costly. Therefore, the City should establish a minimum project threshold, below which projects would provide a cash in lieu contribution rather than affordable units. This could be allocated to the City's affordable housing reserve fund. The City could establish a fixed cash in lieu rate. However, the equivalent cash in lieu value will change significantly if strata unit values change. So any fixed rate would need to be updated regularly. Therefore, the cash in lieu value should be negotiated at the time of rezoning so that it reflects actual market values at the time of the negotiations.
3. **Potential exceptions.** Every project is unique and it may not be financially viable for some projects to provide affordable units due to unique circumstances. This could include:
 - Limited opportunity for increased permitted density.
 - Unusual/unique development costs associated with the project, such as extraordinary servicing/infrastructure costs.
 - Inclusion of other on-site amenities in the project, such as park space or other community amenities.Therefore, the City should consider a mechanism to consider approval of projects that cannot meet the targeted affordable housing requirement.
4. **Impact on strata development site land values.** We would expect an affordable housing requirement to have a downward influence on the value of existing residential development sites in the City. Therefore, the City should ensure that all stakeholders (property owners, real estate industry professionals, developers, etc.) are aware of any proposed changes to the existing policy. In addition, developers should be given significant notice before any changes are implemented.
5. **Availability of development sites.** It is difficult to acquire development sites as there are a relatively small number of sites designated for high density development and the sites are often held by long term owners with little interest in selling. The higher the affordable housing requirement, the less developers will be able to offer for development sites. This will make it increasingly difficult to acquire development sites and may slow development in the City. If the affordable housing requirement is too high, there will be little interest from developers in rezoning properties in the City for a period of time.
6. **Monitoring.** The impact of any affordable housing targets on the viability of development should be monitored and the policy requirements should be adjusted as market conditions change.

8.0 Conclusions

8.1 Key Findings

1. A below market housing requirement will have a negative impact on land values supported by redevelopment, the financial viability of rezoning and redevelopment and the value of bonus density contributions to the City from rezonings. The higher the affordable housing requirement, the greater the impacts.
2. Assuming an affordable housing target in the range of 12.5% to 15% of residential floor area:
 - The number of sites that are viable for rezoning and redevelopment will be reduced. For the scenarios we tested, a 12.5% below market component reduced the number of viable scenarios by about 50% while a 15% below market component reduced the number of viable scenarios by about 65%. The impacts on viability vary depending on project height and density:
 - For rezonings of 4 storeys or less, a below market component in the 12.5% to 15% range impacted the viability of 60% (12.5% below market) to 100% (15% below market) of the cases we tested.
 - For rezonings of 6 storeys or more, a below market component in the 12.5% to 15% range impacted the viability of about 45% of the cases we tested.

The impact of a below market housing requirement on project viability will change over time as the value of the market component of the project changes. If strata unit prices rise over time, the impact of a below market requirement on project viability will lessen. If strata prices decline, the impact of a below market requirement will increase.

- The estimated land value supported by redevelopment will decline by between 17% and 40% with a 12.5% below market component and by 21% to 47% with a 15% below market component.
 - The estimated value of density bonus contributions to the City (from rezonings with more than 2.5 FAR of residential density) will decline. The estimated decline is between 39% and 100% with a 12.5% below market component and 44% to 100% with a 15% below market component.
3. A 20% below market component would only be viable in very unique situations. There are likely few sites in Port Moody where a 20% requirement would be viable.
 4. If the below market requirement is set too high, limited redevelopment will occur resulting in less new below market housing being created.
 5. Some types of rezonings cannot support any material contribution to affordable housing, including:
 - Projects with less than 2.0 FAR of market residential density.
 - 100% market rental projects (other than replacing demolished units as currently supported by policy).
 6. It may not be financially viable for some higher density projects to provide affordable units due to unique circumstances. This could include:
 - Limited increase in permitted residential density (even though the project is high density).

- Unusual/unique development costs associated with the project, such as extraordinary servicing or infrastructure costs to achieve the higher density.
- Inclusion of other on-site amenities in the project, such as park space or other community amenities.

8.2 Policy Considerations

1. The City should consider the potential impact on the pace of development and the impact on density bonus contributions when setting any below market unit requirements.
2. The City should identify the types of rezonings that will be required to provide affordable housing units. We recommend that this be limited to strata residential rezonings that are seeking a residential density in excess of 2.0 FAR. Lower density strata projects, rental projects, heritage projects and non-residential projects should not be required to provide affordable housing units (or cash-in-lieu).
3. The City should clearly define the type of affordable housing that is required, including tenure (affordable rental, non-market, affordable ownership), maximum rents by unit type, the mix of unit types, and minimum unit sizes.
4. The City should consider excluding smaller projects from the affordable rental unit requirement. Instead, smaller projects should be given the option of providing a cash-in-lieu contribution. Any cash-in-lieu should be negotiated at the time of the rezoning so that it is reflective of current market conditions.
5. Developers should still be able to choose to negotiate the scale of the affordable unit contribution at their expense. The circumstances where this could be considered include (but are not limited to):
 - Proposals where the applicant provides affordable ownership units rather than affordable rental units. The number of affordable ownership units to be provided would depend on the definition of affordable and the terms governing the long term affordability of the units.
 - The proposal includes a public benefit/amenity other than affordable housing (for example a day care, park or other similar facility).
 - The rezoning results in unusual or unique development costs, such as extraordinary servicing or infrastructure costs to achieve the higher density.
6. The City should ensure that all stakeholders (property owners, real estate industry professionals, developers, etc.) are aware of any affordable housing policy. In addition, developers should be given significant notice before any changes are implemented.
7. The City should work with non-profit providers to help ensure there a large number of providers interested in acquiring below market rental units that are constructed.
8. The City should monitor the impact of any affordable housing requirement on the pace of development and make changes as-needed if the requirement is negatively affecting the viability of new projects.