Development Costs and Affordability

In Context
WHAT ARE WE LOOKING AT?
Financial barriers to affordable neighbourhood development

CASE STUDIES: Our Approach

• 4 different development scenarios based on actual projects in Toronto
• Assumed the rent needed to create a viable project
• Explored all potential costs:
  • construction costs
  • land cost (if relevant)
  • municipal fees and charges
• Identify obvious barriers
WHAT ARE WE LOOKING AT?

a single, detached house
• designed for one family
• on its own lot
WHAT ARE WE LOOKING AT?

taking a single, detached house
• designed for one family
• on its own lot

converting it to

three units
• exactly the same building
• dividing into three units
WHAT ARE WE LOOKING AT?

taking a single, detached house
• designed for one family
• on its own lot
demolishing it to create

three new units
• built form is different than the surrounding buildings, BUT
• consistent with permitted height, front yard, side-yard and rear-yard setbacks
WHAT ARE WE LOOKING AT?

taking a single, detached house
• designed for one family
• on its own lot
demolishing it to create
ten new units
• built form is different than the surrounding buildings, BUT
• consistent with permitted height, front yard, side-yard and rear-yard setbacks
WHAT ARE WE LOOKING AT?

taking two single, detached houses
• designed for one family
• on its own lot

a 28-unit building
• built form is different than the surrounding buildings, BUT
• consistent with character of street and surrounding area
WHY A CASE STUDY APPROACH?

• Based on real-world examples

• Establish an understanding of financial barriers for future discussion and consultation

• See how financing might work with preservation of neighbourhood character and zoning
CASE STUDY #1
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CASE STUDY #1
254 Havelock Street

PARAMETERS
- Existing three-story semi-detached dwelling
- R Zone

DEVELOPMENT VISION
- Internal reconfiguration to accommodate multiple dwellings
- Triplex with family suite on top two levels
- Rental housing
- No parking
- No Variances or Site Plan Amendment

one house into three units

+1 month
Acquire Property

+3 months
Submit PPR

+3 months
Submit Building Permit

13 months
Start Construction

+6 months
Complete Construction

13 months
CASE STUDY #1
254 Havelock Street

RENTAL BREAKDOWN
• Rent required to pocket $1,200/month in income: $1,650 / month (avg)
• Median household income in the neighbourhood: $77,547
• Affordable rent for median income household: $1,940 / month

KEY CONSIDERATIONS
• Municipal fees: $77,842 ($38,921 per new unit)
• Rents possible if municipal fees were waived: $1,550 / month (avg) (-$100/month)
CASE STUDY #2
Case Study #2
68 Burnaby Blvd
CASE STUDY #2
CASE STUDY #2
68 Burnaby Blvd

PARAMETERS
• Demolish existing two-story detached dwelling
• R Zone

DEVELOPMENT VISION
• New triplex with family suite on top two levels
• Rental housing
• No parking
• No Variances or Site Plan Amendment required

one house into three new units
CASE STUDY #2
68 Burnaby Blvd

RENTAL BREAKDOWN

- Rent required to break even by year three: $3,050 / month
- Median household income in the neighbourhood: $77,547
- Affordable rent for median income household: $1,940 / month

KEY CONSIDERATIONS

- Municipal Fees: $115,014 ($57,507 per new unit)
- Rents possible if municipal fees were waived: $2,800 / month (-$250/month)
Case Study #3
2165 Gerrard St East

credit: www.multitach.com
CASE STUDY #3
CASE STUDY #3
CASE STUDY #3
2165 Gerrard Street East

PARAMETERS
- One 50’ X 150’ lot
- Existing single detached dwelling
- R Zone

DEVELOPMENT VISION
- Demolish and sever into two lots
- Fourplex & laneway suite on each lot
- Rental housing
- No parking required
- No Variances or Site Plan Amendment Required

one lot into ten new units

28 months
CASE STUDY #3
2165 Gerrard Street East

RENTAL BREAKDOWN
- Unit Mix
  - 8 two-bedroom units
  - 2 laneway houses
- Rents required for a viable project: $1,960 - $3,300 / month
- Median household income in neighbourhood: $69,026
- Affordable rent for median income household: $1,725 / month

KEY CONSIDERATIONS
- Municipal fees: $477,462 (avg $47,746 per unit)
- Rents possible if municipal fees waived: $1,800 - $3,000 / month (-$160-$300/month)
CASE STUDY #4
CASE STUDY #4
CASE STUDY #4
722-724 Marlee Avenue

PARAMETERS
• Two 50'X150' adjacent lots
• Existing single detached dwelling on each lot
• RD Zone

DEVELOPMENT VISION
• Demolish & assemble two lots
• 28 unit suites
  • 10 one-bedroom units
  • 18 two-bedroom units
• 20 below-grade parking spaces
• Requires Rezoning & Site Plan Approval

July 2019
Acquire Property
Dec 2019
Submit PPR
Feb 2020
Submit SPA + Rezoning
Feb 2021
Submit Building Permit
June 2021
Obtain Building Permit
Start Construction
June 2023
Complete Construction
48 months
CASE STUDY #4
722-724 Marlee Avenue

RENTAL BREAKDOWN

- Unit mix
  - 10 one-bedroom units
  - 18 two-bedroom units
- 20 parking spaces
- Rents required for a viable project
  - one-bedroom: $2,490 / month
  - two-bedroom: $2,840 / month
- Median household income in neighbourhood: $63,778
- Affordable rent for household earning median income: $1,595 / month

KEY CONSIDERATIONS

- Municipal fees $1,215,102 (avg $43,396 per unit)
- Rents possible if municipal fees & parking waived
  - one-bedroom: $2,000 / month (-$490/month)
  - two-bedroom: $2,280 / month (-$560/month)
INCENTIVES TO FILL THE MISSING MIDDLE
WHAT ARE SOME SOLUTIONS
to financial barriers faced when building affordable units?

Considerations

- No development charges for new affordable rental
- No parkland dedication (or cash-in-lieu)
- Pre-fabricated ‘kit-of-parts’ that has been pre-approved
- City loans for new affordable rental
- CMHC Insurance for small projects
- Support for non-profit land trusts to preserve rental units and keep rent increases low
- No HST for new affordable rental