

The City of Toronto

**Update:**  
**Evaluation of Potential Impacts of an  
Inclusionary Zoning Policy**

May 2021; Revised October 2021

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N. Barry Lyon Consultants Ltd.

The City of Toronto

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**Disclaimer:**

*The conclusions contained in this report have been prepared based on both primary and secondary data sources. NBLC makes every effort to ensure the data is correct but cannot guarantee its accuracy. It is also important to note that it is not possible to fully document all factors or account for all changes that may occur in the future and influence the viability of any development. NBLC, therefore, assumes no responsibility for losses sustained as a result of implementing any recommendation provided in this report.*

*This report has been prepared solely for the purposes outlined herein and is not to be relied upon, or used for any other purposes, or by any other party without the prior written authorization from N. Barry Lyon Consultants Limited.*

## Executive Summary

The City of Toronto has retained N. Barry Lyon Consultants Limited (NBLC) to prepare an update to its Evaluation of Potential Impacts of an Inclusionary Zoning (IZ) Policy, originally completed in May of 2019. This document serves as an addendum to the 2019 analysis by testing revised policy parameters and incorporating peer review feedback. This report should be read in conjunction with our original study.

### The Conceptual IZ Policy

To undertake our assessment of potential impacts, the City has prepared a conceptual IZ policy which would have the following key elements:

- The IZ policy applies to market condominium and purpose-built rental projects. Non-profit projects are not considered in the analysis.
- The IZ set-aside rate is based on a percentage of total residential gross floor area (GFA) in a residential development. This differs from the policy parameters in other jurisdictions where IZ is only applied to the additional density achieved through rezoning.
- No measures to offset the cost of the policy are considered in this analysis other than the elimination of minimum parking requirements for affordable units.
- The IZ units must be maintained as affordable for 99 years.
- The unit mix for IZ units must mirror the unit mix of the market units.
- The quality of finishes must be equivalent to market units and residents must have access to the same amenities. As such, condominium fees are assumed to be equivalent for IZ and market units.

The following tables summarize the policy permutations and affordable revenue assumptions used in this updated evaluation. Alternative set aside rates were also tested, and the results have been included as an appendix. These alternative set aside rates include tests for condominiums at 10%, 20% and 30% set aside rates and tests for purpose-built rental at 5%, 10% and 20%.

**Table 1: IZ unit tenure and set aside rates**

IZ Unit Tenure & Set Aside Rates				
Type of Development	Tenure of IZ Units	Set Aside Rates Tested		
Condominium Apartment Building	Affordable Ownership	4%	8%	12%
Condominium Apartment Building	Affordable Rental	4%	6%	8%
Purpose Built Rental Apartment Building <sup>1</sup>	Affordable Rental	4%	6%	8%

**Table 2: Affordable sale prices and rents tested**

Affordable Sale Prices and Rents Tested		
Unit Type	Affordable Sale Price	Affordable Rent
Studio	\$150,978	\$812
One Bedroom	\$190,137	\$1,090
Two Bedroom	\$242,550	\$1,661
Three Bedroom	\$291,653	\$1,858

### Approach to Analysis

The City of Toronto is comprised of diverse submarkets. This evaluation therefore considers the potential impacts to the feasibility of high-density residential development in 11 locations around existing or planned transit service. The following summarizes our methodology:

- In each of the 11 submarkets, City staff provided NBLC with a prototypical development site and established assumptions for the built form that could reasonably be approved in a rezoning application.
- For each submarket we undertake research to assess local pricing dynamics that are used to develop a residual land value model (RLV). The RLV model assesses all the project revenues. From these revenues we subtract the costs of development including the developer’s profit. What remains is land value.
- We estimate the value of the site under as-is, where-is conditions considering the site’s current use and the density permitted as-of-right by the zoning. This estimate is referred to as the as-is land value. The as-is land value forms the basis upon which we measure development viability.
- We model the conceptual development scenario without the IZ policy to establish the value of the site as supported by the redevelopment. This represents the potential land value that might be supported through a rezoning. Where the redevelopment’s land value exceeds the

as-is land value by at least a 10% margin, we consider development to be viable prior to the introduction of an IZ policy.

- We then apply the conceptual IZ policy with different set aside rates to determine whether the redevelopment project maintains a land value 10% greater than the as-is land value. Where the redevelopment land value meets or exceeds this test, we conclude that redevelopment could remain viable following the introduction of the policy. If the land value of the parcel, with the IZ requirements, is not 10% greater than the as-is land value, we conclude the development is not feasible. Simply, the landowner would not be motivated to sell their property.
- We then apply a second test to consider IZ impacts today, where the market has already priced a site based on achievable residential density. Typically, this is where Provincial and Official Plan policies encourage intensification and where land vendors have established expectations of land value. In this situation, we measure the impact of the proposed IZ policy on the land value supported by redevelopment prior to and following the introduction of the policy. If the impact to land value is 15% or more, we recommend that the City apply a less aggressive IZ policy with lower set aside requirements.
- These two tests are intended to support the City as it develops an initial IZ policy, understanding that development must remain financially viable after the policy has been implemented for it to be effective – that is, for it to create new affordable housing. This research is intended to inform policy measures and to mitigate potential negative externalities associated with a potential IZ policy. The tests are sensitive to the need for transition toward a fully phased-in IZ policy. In our view, a viable initial IZ policy would ensure the impact of the policy passes the hurdles set out in both tests.

## Findings

The majority of Toronto's residential apartment development is found within the downtown, the Yonge Corridor, the waterfront areas, and in North York along the Subway lines. These areas have very strong market fundamentals and the test scenarios conducted throughout this study show evidence that these market areas likely have capacity to absorb the impact of a modest IZ policy without jeopardizing development viability. The following are key findings from this evaluation:

- The primary impact of an IZ policy as conceptually defined is to reduce the development revenue from a project. Hard and soft construction costs as well as the developers profit margin do not change. As a result, when revenues are reduced, the developer must reduce their budget to acquire a site. If a developer's budget for land is less than the as-is land value,

a landowner's motivation to sell their property for redevelopment is similarly reduced and redevelopment potential undermined.

- In weaker market areas, where revenues are lower, or in areas where development density is modest, an IZ policy could have a negative impact on investment and the production of housing. The analysis illustrates that stronger market areas have greater potential to absorb the cost of the policy as the opportunity for, and value of, additional density is greater.
- For condominium apartment projects, set aside rates of about 8% for the provision of affordable ownership and 6% for affordable rental in the City's strongest market areas passed both Tests One and Two. At 12% and 8% respectively, these strong market areas also passed Test One, but most experienced a land value reduction of 15% or greater, thereby failing Test Two.
- Except for Etobicoke Centre, Weston and Scarborough Centre, condominium developments passed Tests One and Two at the 4% set aside rate for both affordable ownership and rental housing.
- The ability of purpose-built rental projects to accommodate an IZ policy illustrated weaker results. Only the Downtown core and Toronto West, Yonge Eglinton and Stockyards/Junction prototypes passed Tests One and Two at the minimum 4% set aside rate tested.
- Our work illustrates the highly variable market conditions for development across the City for both condominium and purpose-built rental projects. The feasibility of residential development after an IZ policy is introduced will vary depending on the market strength of the location, the existing use of the site, the density permitted through rezoning, and the tenure of residential units, among other factors. Condominium developments, for example, typically generate more revenue and thereby support higher land values than purpose-built rental developments. As such, condominium projects often have a greater ability to absorb the impact of the policy. Similarly, applying the same policy that might be viable in downtown Toronto to a weaker market area could discourage new investment.
- High IZ set aside rates can have significant impacts on residential land value. However, it will take time for the real estate market to adjust. A long-term approach to an IZ policy would allow land markets time to adjust and expertise in the development community to grow. Implementing an aggressive IZ policy in the near term could result in active projects becoming infeasible because developers may have already acquired land without accounting for the cost of an IZ policy. Landowners are also unlikely to accept significant land value impacts in the short term and are likely to consider delaying the sale of their property until

the market improves. These impacts could create future supply constraints if developer land acquisition, development applications, and construction activity stalls or is delayed.

- Discussions of an IZ policy have been ongoing for several years and final implementation will be tied to Provincial approval of Protected Major Transit Station Area (PMTSA) plans. PMTSA plans must introduce new minimum density parameters for future development. These plans create an opportunity to develop a IZ policy which is responsive to the variations in market strength and existing conditions within a PMTSA by linking set aside rates to increases in density. This planning work could provide the clarity necessary for developers and landowners to account for the impacts of an IZ policy when making future investment decisions.

### Recommendations

As the City of Toronto considers a potential IZ policy, we offer the following recommendations which should be considered holistically in the development of an initial IZ policy:

- **IZ should be viewed as a forward-looking policy that will be in-force and adjusted over the long term.** The policy has the potential to create thousands of affordable units over time. However, this requires a measured approach and recognition that the policy tool must be well aligned with market and economic reality. With a successful implementation of the initial policy, set asides rates could potentially be increased as the market dictates. Implementing an overly aggressive IZ policy at the outset could stall development activity.
- **The City should use the results of this prototype testing to inform the structure of an initial IZ policy.** It is possible that initial IZ set aside rates may not fully extract the total magnitude of affordable housing potential on every site across the City. However, it is also true that not all sites are ‘prototypical’ as there are significant variations in costs and existing conditions from site to site, especially for constrained infill development locations. In the development of an initial IZ policy, it is important that the policy measures are sensitive to this reality and seek to ensure that development remains financially viable. This will allow time for markets to adjust and for the City to develop detailed PMTSA plans that calibrate an IZ policy to development permissions, taking into account variation in the local market and entitlement characteristics unique to that PMTSA.
- **Consider a transition period before the policy is introduced to allow the market to clear any projects which are currently under development.** The City should also clearly communicate when the policy will come into force and how the policy parameters such as the set aside rate may change over time. The length of the transition period should reflect the time it takes for typical development to submit complete applications for entitlements such

as zoning and site plan approval, understanding complex and large master planned projects may require special accommodation. In all cases, the set aside rates and definitions of affordability should be communicated clearly to the market so that developers, non-profits, and landowners can plan accordingly.

- **Following the transition period, the City should introduce the policy gradually over a phase-in period starting with a low IZ set-aside rate and a projection of specified, periodic increases.** Overall, the City’s approaches to implementation should ensure that markets are able to adjust, allowing new development lands to be priced accordingly and sites which are currently in pre-development stages to proceed. This will also ensure that land value impacts are accommodated gradually.
- **Recommendations for initial IZ transition and set aside rates are as follows:**
  - The City should consider an IZ policy that comes into effect in late 2022, assuming the set aside rates generally recommended below.
  - The City should consider holding initial set aside rates constant for the first 3 to 5 years before gradually transitioning to higher rates – if justified by market evidence and advancements in more prescriptive PMTSA plans – over time.
  - The results of the testing illustrate that an initial set aside rates at 8% for affordable ownership and 6% for affordable rental in the strongest market areas would be reasonable.
  - As discussed above, subject to market conditions and PMSTA planning, it is probable that rates could be refined further in subsequent iterations of IZ to maximize the benefit in areas that have the greatest potential for the delivery of affordable housing.
  - We do not recommend applying IZ to rental housing projects at this time.
- **Consider implementing IZ with different set-aside rates across PMTSA’s to allow for market variances.** The high-density residential market is geographically diverse. Therefore, IZ is not achievable in a uniform fashion without offsetting measures and/ or a transition framework to support development in weaker submarkets. Market strength must be considered carefully when calibrating IZ rates.
- **Consider varying the set aside rates for the delivery of affordable ownership and affordable rental units.** This approach could incent the tenure of units that best suit the profile of affordable housing need in the City. The cost implications for the provision of affordable rental versus affordable ownership units will be different for developers. This is premised on the interpretation that developers, not the City, will have discretion in selecting



the tenure of affordable units created through IZ. This consideration should also apply to the delivery of market ownership versus purpose-built rental projects, acknowledging the varying economic performance and land value capacity of those projects.

- **The initial IZ policy should evolve alongside development entitlements in each PMTSA.** Future PMTSA planning should calibrate affordability requirements in tandem with allowable densities determined. A successful IZ policy requires a measure of clarity in station area plans to form the basis by which future land values can be established.
- **Consider higher set aside rates in PMTSA areas where significant changes to planning entitlements are anticipated** (i.e., a conversion from Employment Areas). While not tested in our study, we also believe that the new station areas being created through the GO RER/ Smart Track program, the Scarborough Subway extension and the Ontario Line could also offer significant opportunities to consider for IZ policies. New PMTSA plans will offer an opportunity to calibrate new planning permissions with affordable housing requirements in a way that strives to internalize the value capture impact of IZ in exchange for new density permissions and transit investment. We envision this as a similar policy to what is known as “Large Sites Policy” articulated in Official Plan policy 3.2.1.9, but with additional nuance to reflect the underlying land use conditions and emerging density permissions in a PMTSA.
- **Explore an implementing framework that allows the IZ policy to be flexible in select scenarios.** For example, in instances where developers can demonstrate a lack of feasibility (e.g., in purpose-built rental apartment scenarios) and/ or where other significant community benefits are being provided through the project, off-site dedication or reductions in requirements could be appropriate.
- **The long term management of affordable housing units delivered through IZ is a critical aspect to its implementation.** IZ policies should be paired with program details regarding who owns and operates units and the types of agreements that would be registered on title to ensure that the policy is efficient and sustainable to operate. The City should also develop a framework to maintain oversight of the depth and duration of affordability and unit types as necessary. It is possible that this framework could have cost implications to the development community that need to be considered in a development pro forma. It is recommended that this implementation and management framework be brought forward well before the policy transition date so that council, staff, developers, and the public have a common understanding of costs and complexity to administer the policy over the long term.
- **The IZ policy should be revisited at regular intervals to ensure its responsiveness to market conditions.** The Toronto real estate market can change quickly. A broad range of economic and political factors have proven to cause rapid and unexpected positive and

negative shifts. Moreover, it should also be acknowledged that changes to other City policies which affect development economics are being considered (e.g., development charges, parkland, and a community benefits charge). An effective IZ policy should be designed in a manner that it can react quickly to changes in market conditions and cost factors, if required. The City should continue monitoring market conditions after the introduction of IZ because there is likely to be a lag – perhaps over several years – between the timing of policy introduction and when impacts (positive or negative) are realized.

## 1.0 Introduction

The City of Toronto has retained N. Barry Lyon Consultants Limited (NBLC) to prepare an update to its Evaluation of Potential Impacts of an Inclusionary Zoning (IZ) Policy in the City of Toronto, initially completed in May of 2019 and updated again in May 2020. This report serves as an addendum to these analyses by updating key market and cost parameters, the definition of affordable prices and rents, revised IZ policy parameters and incorporating peer review feedback.

The Province of Ontario has adopted legislation that will allow the creation of affordable housing through IZ policies. The City of Toronto is actively developing strategies to address housing affordability across a spectrum of need; part of this work includes evaluating the potential City-building benefits of IZ. Provincial IZ Regulations require that municipalities evaluate the potential impacts of an IZ policy on development viability.

Most of the policy experience with IZ has been in the United States. In most jurisdictions where IZ has been successfully implemented, the central principal is that development density is traded to offset the costs of delivering affordable housing. In some instances, there are also offsetting financial programs (tax incentives, etc.) but it is this exchange of additional density for affordable units that has underpinned the success of these policies. Notwithstanding this, as part of this updated assessment NBLC has been directed to test impacts of an IZ policy which is applied as a percentage of *total development yield* with no predetermined density bonus or financial incentives to offset the cost of the policy.

This update to our previous studies reviews the possible impact of a potential IZ policy using market research and a financial model. It considers the implications for developers who would need to acquire land in today's market to proceed with a development. Achievable development density and market dynamics are established for a range of market locations throughout the City to consider the nuance of varying market dynamics. In short, we examine how the impact of providing affordable housing in market development could impact the viability of prototypical high-density residential projects.

Of note, this analysis assumes that the City of Toronto will implement a Community Benefits Charge (CBCs) pursuant recent Provincial legislative changes. At the time of writing, a Community Benefits Charge approach was subject to ongoing analysis and consultation. Further, this analysis assumes the continued application of existing development charge and parkland policies in place today. Any substantial near-term adjustments to these fees or other municipal rates and charges could have an impact on the findings of this review.

In addition, impacts flowing from the response to COVID-19 are affecting Toronto's housing market and will continue to influence market conditions in the near term. Market data and assumptions in this update were developed in February and March of 2021. We remain optimistic about Toronto's resiliency and recovery.

## 2.0 Housing Prices and Costs – Fundamental Factors

As discussed in NBLC’s May 2019 analysis, the premise of a typical IZ policy would be to exchange some of the density achieved through a planning application process for affordable housing units. This would reallocate a portion of a residential development’s yield to affordable housing, decreasing available project revenue.

### 2.1 Factors That Influence the Price of Housing

In determining the highest and best use of a residential development site, a developer will evaluate the most marketable housing types, pricing, product positioning (e.g., mid-market or luxury), sales absorption rates or lease-up rates, target purchasers and marketable suite mix, and other similar items. Often, these inputs feed into a financial analysis to evaluate overall project viability, including land value and profit. When deciding how to price housing, it is important to consider both demand and supply conditions in the local market area.

Ultimately, developers are seeking to determine the maximum they can charge purchasers or renters and still sell or lease-up their project within a reasonable time frame. If a developer sells or leases homes slowly, this may be a sign that pricing was too high for the project. Conversely, if the entire project sells out over a weekend, the developer may have been able to charge more for the product. Developers carefully examine supply and demand to ensure this does not happen.

Developers will also monitor supply and demand conditions throughout a sales campaign, often increasing pricing throughout the process at specific thresholds (e.g., at the beginning of construction). Some developers also may not release all units to the market at the same time, later adjusting pricing or other elements based on the market’s response to an initial release. This is an important consideration, as developers can – and often do – increase pricing if the market supports such an increase. This adjustment to pricing is independent of any shift in development costs.

Given this, an IZ policy does not directly affect the price of housing, the supply and demand conditions above do not change after an IZ policy is introduced. By requiring that a portion of the project be affordable, an IZ policy would have the effect of reducing the total amount of project revenue available – while total project costs remain about the same. As a result, costs increase as a proportionate share of revenue. However, if the IZ policy is too aggressive, projects could become unfeasible. This would restrict the supply of housing and potentially drive demand and pricing for available homes and apartments upwards.

### 2.2 Factors That Influence the Cost of Housing

The costs of building housing generally fall into one of four discrete categories:

- Hard Construction Costs

- Soft Development Costs
- Developer Profit
- Land Costs

Hard construction costs encompass all the materials and labour required to physically construct a building. Hard construction costs will vary from project to project. Factors such as topography and grading, geotechnical issues, site contamination, building materials (e.g., concrete vs wood), the height of a building, surface vs. underground parking, and other similar considerations will all impact construction costs.

Hard construction costs are dictated by the market, albeit a different market than house prices. Developers will purchase building materials like any other commodity, which are subject to fluctuations in price. Macro-economic trade impacts (e.g., tariffs on steel or lumber) can also impact the price of materials and other commodities. Labour demand and supply conditions also affect hard costs. Overall, once the specifics of a development project are defined, hard costs become relatively fixed.

Soft development costs include all the other costs that a developer will encounter when developing real estate. These items include government-imposed development charges and fees, as well as a host of other costs including, consultants, financing costs, marketing costs and taxes. Like hard costs, soft development costs can also vary depending on the specifics of a development project. For example, factors such as project scale and absorption rates can time it takes to develop a project, which in turn can affect financing and other carrying costs.

Changes to the Planning Act through the implementation of a Community Benefits Charge (CBC) framework will further impact the way soft costs are calculated in a developer's proforma. This analysis assumes that the City of Toronto will implement a CBC rate set at 4% of land value as outlined in Provincial regulation.

Developers and their investors require a certain profit threshold to undertake a development project. They are investing their skills and equity, as well as taking on significant risk in order to make a profit that is superior to the rate of return that might be achievable through another investment vehicle. If an acceptable profit margin cannot be achieved, developers will seek development opportunities in other markets, invest in other real estate asset classes, or choose another investment vehicle altogether.

Moreover, a developer's lender will look to see adequate profit in a project to ensure that risk factors are accounted for to finance a project. If profit margins are inadequate, lenders will not advance funds to the project.

### 2.3 Understanding Land Values for High Density Projects

Accurately assessing the land value for high density residential development involves an assessment of the probable revenues and costs, as well as desired profit. Project revenues are driven by the sale or rental value of homes as well as other sources such as parking spaces, storage lockers, and ground-floor commercial space or other revenue-generating uses. As illustrated by **Figure 1**, developers will then subtract all development hard and soft costs, as well as their required profit from the estimated revenue of the project. The remaining amount, or residual amount, is referred to as the Residual Land Value (RLV). The RLV represents the theoretical maximum price a developer could pay to acquire land to construct the housing project and achieve their required profit margin.

When a developer conducts an RLV analysis, the result will guide whether to proceed with the land acquisition and undertake the project. This results in one of the two following scenarios:

- **RLV is equal to or higher than the asking price of land in the market:** If the RLV of a proposed development is greater than the asking price of the land in the market, a developer can, in theory, purchase the land and build the project while satisfying their profit expectation.
- **RLV is below the asking price of land in the market:** In this situation, the housing development would not be considered viable because a developer could not pay the asking price of land and still maintain their required profit margin.

Figure 1: RLV Components

Understanding Residual Land Value	
Project Revenue	A
Project Costs	- B
Developer Profit	- C
Land Value	= D

The introduction of IZ influences the variables noted in **Figure 1** in the following ways:

- **Project Revenue:** Where the IZ policy requires that the developer sell or rent a portion of units for below market rates but does not include any offsetting measures such as additional density, the impact of the IZ policy would be to reduce total project revenue.

A reduction of revenue as the result of an IZ policy would be treated no differently than a developer discovering soil contamination issues at a property they are considering for purchase. A developer would not pay full market value for a site with soil contamination issues and then later attempt to recapture the increased cost of remediating the site by increasing the sale value

of homes at pricing beyond what is supported in the market. Rather, if soil remediation works were to require \$1.0M in added project costs, the developer should seek to pay \$1.0M less for the property. In same way, if an IZ policy reduces projected revenue by \$1.0M, the land value is reduced accordingly.

- **Project Costs:** The cost of building and delivering affordable and market rate homes are similar. IZ would therefore not impact development costs in a significant way.

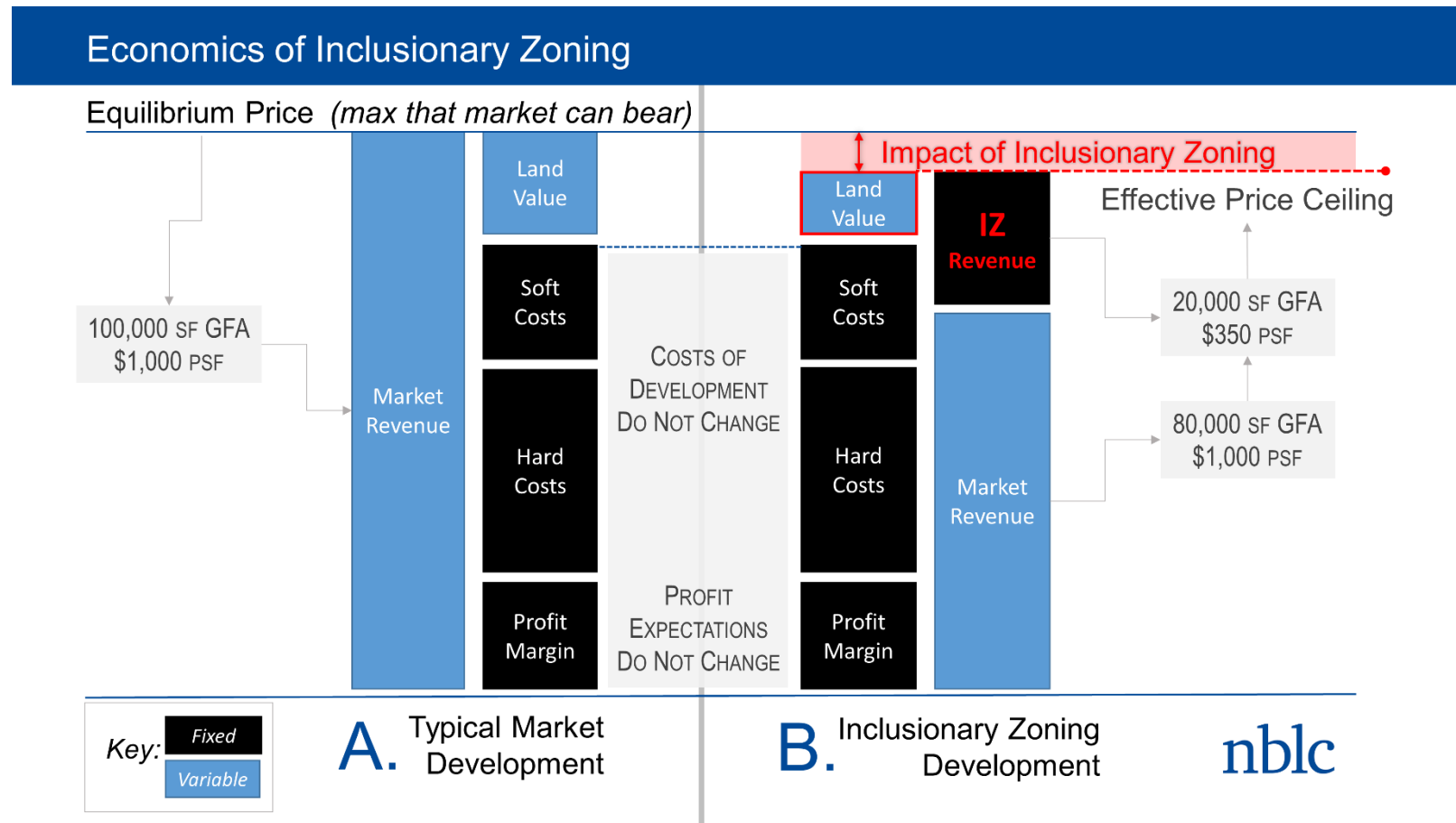
It is common to hear that if costs increase developers will simply apply these costs to the price of a new home. However, developers cannot simply increase the price of homes beyond what the market will support. If the market can support an increase, developers will increase pricing regardless of costs. Certainly, if costs are reduced in a strong market, home prices do not typically decline.

If a developer has purchased land without being aware of an IZ policy, it could have – depending on the set aside rates and a range of other factors – a significant impact the feasibility of the project.

- **Developer Profit:** Developers will seek a return on the equity they invest that reflects the project risk and range of other matters. If they cannot achieve this return, developers may shift to invest in other sectors. In practical terms, lending institutions will need to see a healthy forecasted profit – as a hedge against their risk – prior to advancing financing. The margin for profit is therefore generally considered fixed. In our work for example, we assume a target profit of 15% of gross revenue in condominium scenarios. For these reasons, a developer is not able to adjust their profit margin to offset the cost of an inclusionary zoning policy.
- **Land:** Given that project costs and a developer's profit margin are relatively fixed, an IZ policy which reduces project revenues will have the primary effect of reducing the amount a developer can pay for land. **Figure 2** illustrates the key differences between a typical redevelopment proforma and one with IZ.

The discussion in this section therefore concludes that reduced revenue potential will reduce a developer's budget to acquire development sites. This will place downward pressure on land values for properties which may be suitable for redevelopment. The only exception to this is where a developer has already acquired land, as a developer cannot pay less for land to account for rising costs / decreased revenue if they have already purchased land without accounting for this impact. In this situation, a developer must either: accept a lower return; delay the project until pricing increases or costs decrease; or cancel the project.

Figure 2: Flow chart highlighting economic principle of Inclusionary Zoning





## 2.4 How Might IZ Impact Real Estate Development Activity and the Supply of Affordable Housing?

The core premise of IZ is to deliver affordable housing through market housing development. For IZ to be successful, market residential development must be financially viable before the policy is introduced and remain viable after the policy is in effect. If development becomes unviable because of the IZ policy, the private sector may not have the ability to build new housing in locations where IZ applies. This situation could result negative externalities such as:

- Development will not occur where IZ applies, which will be within Toronto's PMTSAs, and new affordable housing will not be supplied as development impacted by IZ does not advance.
- Given the scale of PMTSA coverage in Toronto, the policy could decrease the supply of market rate housing. With consistent strong demand for housing in the GTA, this would lead to increased prices, thereby perpetuating affordability challenges while undermining the intent of the policy.
- As IZ is a forward-looking policy, with the intention that developers will pay less for land to account for the reduced revenue potential as a result of IZ, the City of Toronto must account for developers who may have recently purchased their property without accounting for IZ. Developers who already own land must be able to maintain a reasonable profit margin not just to make a return, but also to ensure that lenders will finance their projects.

This report therefore provides a basis of research to support the City in designing an IZ policy that can be implemented in a nuanced way that accounts for the differing markets across Toronto. The core purpose of this report is to provide research of how IZ can be implemented while mitigating the potential for negative externalities across the market.

The findings in this research use prototypical built form assumptions to illustrate how the conceptual approach to IZ might impact development viability across the City. The findings demonstrate how site-specific conditions could impact the viability of an IZ approach from site to site.

### 3.0 Market Context

The City of Toronto has experienced significant population growth over the past decade driven by strong immigration and employment growth. This, combined with a continued program of public and private investment and an increasingly cosmopolitan lifestyle, make the City appealing for a broad range of Canadians and newcomers to call home. While the real estate market continues to adjust following the COVID-19 pandemic, notable drivers of Toronto's high density residential market include the following:

- Relative affordability underpinning demand for condominium and rental apartment housing forms relative to traditional low density housing choices.
- A general concentration of new high-density development and sales occurring in the former City of Toronto, in part following rapid transit service. It can be expected that this pattern of growth will be influenced by ongoing and planned transit improvements.
- A high volume of condominium apartment sales and increasing pricing in recent years since Toronto's rebound after the Financial Crisis. The undeniable attractiveness of city-living has escalated pricing to unprecedented levels.
- New purpose-built rental demand has also been strong but is often at a financial disadvantage when compared to condominium formats. Overall, demand for high quality rental supply has been encouraging private and institutional investment in new rental construction.
- With increased demand and pricing, the value of lands suitable for high density residential development in the City have increased, especially in the Downtown and traditional high growth areas.
- From a cost perspective, residential construction costs are increasing, but this has typically not occurred at the same rate of unit or land pricing appreciation in strong market locations.

#### 3.1 A Note About COVID-19

At the time of writing this report, global markets continue to adjust as a result of the public health implications related to the novel coronavirus pandemic, COVID-19. The full impact on the economy from business closures and job losses is likely still months away from being fully assessed as business and income supports remain in place at the time of writing. While Canada has confirmed its intention to increase immigration beyond pre-pandemic levels, when this increased rate begins may be dependent on how long the pandemic persists.

The degree to which COVID-19 will have long term implications on real estate markets is currently unknown. However, the underlying fundamentals of Toronto's local real estate market, particularly

throughout traditionally strong market locations, has remained strong to date through much of the pandemic.

In terms of the Toronto new condominium apartment market, after a slow spring, buyers returned in the second half of 2020, with monthly sales rates on par with historical trends and pricing spurred on by historically low interest rates. In the resale market, prices and transactions for low-density homes have reached record highs while demand in the resale condominium apartment market appears to be returning to pre-COVID levels in the first quarter of 2021 after softening through much of 2020.

The purpose-built rental market has experienced higher than typical vacancy rates which has meant that the price of market rental rates has remained mostly flat, or in some cases declined modestly. However, we expect that as offices begin to re-open, post-secondary students return to classes, and immigration increases, that demand for rental units will strengthen.

In our opinion, Canada is likely to remain an appealing place to do business. Demand to invest and migrate to Toronto is likely to only increase as we move forward. This, combined with a continued low-interest-rate environment, the GTA's highly diversified workforce, forecasts for increased immigration and a strong economic recovery, and the proven market appeal of Toronto all bode well for continued housing demand moving forward.

## 4.0 The Conceptual Inclusionary Zoning Policy

The following section summarizes the conceptual affordable housing approach evaluated as part of this update to the original May 2019 study.

### 4.1 Considering Offsets in the Design of an IZ Policy

In most jurisdictions where IZ has been successfully implemented, the underlying principle is that additional development density is traded to offset the costs of delivering affordable housing. In some instances, the policy may also include financial offsets such as tax rebates, but it is this density exchange that is often critical to an enduring and sustainable approach. Incentivising projects with financial tools can also be effective in emerging market locations where IZ makes development financially unviable, and/ or where additional development density is less valuable.

A key consideration when designing an IZ policy is whether to:

- Not offer any financial offsets to developers, requiring that projects absorb the affordable housing requirement (i.e., without any municipal tools used to offset the affordable housing requirement);
- Permit additional density above the current approved zoning to offset the costs of an affordable housing component (i.e., a voluntary approach);
- Apply municipal financial incentives to the project to offset some of the costs of the affordable housing contribution; or,
- A combination of the previous two approaches above.

Determining the most appropriate approach is also complicated by the fact that Toronto's housing submarkets are diverse and ever evolving.

In strong market locations, additional density can be highly valuable. Therefore, an eventual policy framework that trades additional density for affordable housing is likely to be more viable in these areas. In some instances, this might allow a City to calibrate its IZ approach so that the density increase offsets the impact of the affordable housing requirements. It is possible that future planning work could be completed around PMTSAs where considerations regarding transit supportive densities are warranted. However, to calibrate an approach of this nature, the City would need to consider the amount of additional density that could be reconciled from a planning and built form perspective, then tailor the IZ percentage to that context and submarket. Given the emerging nature of PMTSA plans in Toronto, this reconciliation between future entitlement parameters and IZ requirements has not occurred but should be considered in future.

In market locations where current demand is weaker, density will have less value. In fact, there are instances where added density would detract from the viability of a project by adding costs, time and risk. Therefore, a policy that exchanges density for housing is less viable outside high demand submarket areas, where financial incentives (i.e., CIP tools) may be more effective as an interim solution. However, as the market evolves and demand improves, the need for these incentive tools diminish, because development density becomes more powerful as an incentive.

The exchange of affordable housing for density subject to meeting planning requirements is likely to be the most sustainable approach to IZ. This is because the approach would not require financial incentives from the City, nor would it impact land values. However, there may be instances where financial offsets are more effective, or a combination of both density and financial tools are required such as weaker market areas. As noted, in American jurisdictions where IZ is more common, it is this trade-off of new density in exchange for affordable units that has been proven successful.

As PMTSA plans introduce new planning regimes throughout the City, there is an opportunity to consider this approach.

#### **4.2 Establishing an Initial IZ Requirement for Testing**

Notwithstanding the above, this analysis is structured to test the impact of potential IZ parameters absent any density offsets or financial incentives

City staff have provided NBLC with the following parameters for testing within the context of this updated analysis:

- The IZ policy applies to market condominium and purpose-built rental projects. Non-profit projects are not considered in the analysis.
- The IZ set-aside rate is based on a percentage of total residential GFA in any residential development. This differs from a policy which would only apply to the additional density sought through a rezoning.
- IZ units within a condominium building could be sold or rented for below market rates.
- There are no offsets or incentives provided in conjunction with the IZ set aside requirement.
- The IZ units must be maintained as affordable for 99 years.
- The unit mix for IZ units must mirror the unit mix of the market units.
- The quality of finishes is equivalent to market units and residents have access to the same amenities. By the same token, condominium fees are equivalent for IZ and market units.

**Table 3: IZ unit tenure and set aside rates**

IZ Unit Tenure & Set Aside Rates				
Type of Development	Tenure of IZ Units	Set Aside Rates Tested		
Condominium Apartment Building	Affordable Ownership	4%	8%	12%
Condominium Apartment Building	Affordable Rental	4%	6%	8%
Purpose Built Rental Apartment Building`	Affordable Rental	4%	6%	8%

**Table 4: Affordable sale prices and rents tested**

Affordable Sale Prices and Rents Tested		
Unit Type	Affordable Sale Price	Affordable Rent
Studio	\$150,978	\$812
One Bedroom	\$190,137	\$1,090
Two Bedroom	\$242,550	\$1,661
Three Bedroom	\$291,653	\$1,858

## 5.0 Approach to Assessing Impacts

The following section describes the methodology for assessing the potential impacts of the policy, the parameters of the conceptual IZ policy, and the assumptions which underpin the analysis.

### 5.1 Land Value as a Measure of Feasibility

We employ two tests to evaluate the feasibility of market real estate development prior to and following the introduction of a conceptual IZ policy. Both tests evaluate the impact to land values as the measure of development viability.

#### **Test One: Potential Redevelopment Sites – The land value of a development site after rezoning should be at least 10% greater than the “as-is” value.**

The first test compares the value of properties that are currently zoned for low density uses but higher density development is made permissible through amendments to the City’s Official Plan and Zoning By-Law. In this test we examine the current value (as-is, where-is) based on the existing planning entitlements and compare it to the value of the site if successfully rezoned for high density residential development.

The test seeks to measure if an IZ policy would discourage reinvestment.

The defining feature of this test is *but for* a change to the land use permissions, the value of the property will be based on its existing use or as-of-right planning. It is not until new development approvals are in place that the value of the property could change.

We assume in our analysis that a landowner would require at least 10% over the value of their property under as-is, where-is conditions. The measure of 10% is an arbitrary figure selected by NBLC recognizing that some landowners will require greater incentive while others may require less.

If the impact of the policy results in land values falling below the 10% margin above the as-is value, we conclude the landowner would not be motivated to sell their property for high density residential redevelopment. As such the policy approach fails this test.

#### **Test Two: Existing Redevelopment Sites – An IZ policy should not depress the value of high-density land by 15% or more.**

The second test considers the impact of IZ on properties where the market has already priced a site at its maximum density. This would include:

- Sites that are already approved for high-density residential uses;
- Where developers have purchased a site at its highest and best value. Typically, this is where Provincial and Official Plan policies encourage growth and intensification; and,

- Sites where landowner expectations of value have been established based on interpretations of the same overarching policies.

In these situations, it is important that the introduction of IZ does not significantly reduce the value of development sites to a degree where a developer could not advance their project. Similarly, if land values were to decrease by a significant margin, despite the results of Test One, landowners might delay or abandon the sale of property to a developer, which can stall the future delivery of housing in these strategic locations.

Test 2 seeks to understand whether an IZ policy, by reducing the anticipated revenue, would undermine the economics of an otherwise viable development. We account for this by evaluating the impact on the land value (i.e., how much would vendor land value expectations need to adjust because of an initial IZ policy) and have picked an arbitrary maximum reduction of 15%. Again, we recognize that some landowners may still be motivated to sell their sites, while others may not accept a reduction of this magnitude. Given the historical trajectory of Toronto's land market, this is a conservative check intended to support the sensitive implementation of an initial IZ policy. This second test may become less relevant in time (e.g. 5 – 10 years) after the introduction of the policy as the land market adjusts.

## 5.2 Modeling Methodology

To address the variability in market conditions across the City, this research explores the feasibility of prototypical residential developments in 11 submarkets prior to, and following, the introduction of the conceptual IZ policy.

- The submarket areas were selected around transit stations or growth centres and included both strong and emerging market areas with existing or planned transit infrastructure improvements.
- Within each submarket, City staff provided NBLC with a prototypical development site and established assumptions of the built form that could reasonably be approved in a rezoning application. It is assumed that every site must be rezoned to accommodate the development. This is consistent with the planning context in Toronto where very few sites have as-of-right zoning permissions that contemplate large scale residential projects.
- Not every site is located within the boundary of a planned PMTSA as the original study preceded Provincial legislation restricting the use of IZ policies to only PMTSA planning areas. Nevertheless, these submarkets have been retained through subsequent updates to the analysis as a point of comparison.
- We establish the value of the site prior to rezoning based on typical existing uses and as-of-right zoning. This is primarily informed by a review of recent commercial leasing activity and comparable land transactions. This is referred to as the as-is value of a site, (i.e., its value on an as-is, where-is basis) and forms the basis upon which we measure development viability



prior to the introduction of the policy. We do not consider the as-is land value to be what developers speculate the City of Toronto might approve through a rezoning or Official Plan amendment process.

- We then prepare a residual land value (RLV) model for the conceptual development scenario to estimate the value of the site following rezoning but prior to the introduction of the IZ policy. The following table outlines the density and built form assumptions for each test site as provided by City staff.

**Table 5: Summary of Prototypical Test Site Parameters**

Summary of Prototypical Test Site Parameters						
Site No.	Market Location	Test Site Area (sm)	As-of-right Residential FSI	Density Parameters After Rezoning		
				No. Storeys	No. Units	FSI
1	Etobicoke Centre	3,800	3.5	28	212	4.4
2	Stockyard / Junction	4,400	3.0	12	266	4.8
3	Weston (NIA)	3,400	2.5	25	223	5.2
4	Finch West	2,800	1.0	8	207	5.8
5	Yonge Eglinton Centre	2,000	3.0	22	236	11.5
6	North York Centre	3,500	4.5	35	383	8.6
7	Downtown	2,600	5.0	47	564	15.7
8	Toronto West	3,700	2.0	22	370	7.3
9	Toronto East	700	2.0	6	32	3.8
10	Golden Mile	7,000	2.0	39	380	4.3
11	Scarborough Centre	4,500	2.0	41	401	7.0

- We undertake market research to assess the unique pricing and absorption characteristics of each submarket. The findings of this market research form the revenue inputs which are used in the RLV model. The RLV model assesses all the project revenues and from these revenues, we subtract the costs of development including the developer’s profit to determine the land value.
- Following the rezoning, the value of the site will reflect the residual land value supported by the proposed development. As discussed earlier, the residual land value reflects the amount of money that is left over (residual) after the project revenues are used to pay for the cost of construction (hard and soft costs) and meet the developer’s profit margin (a relatively fixed value in a competitive marketplace). This residual amount is the budget a developer would have to acquire the site, and it would closely align with the value of the site on the open market where market participants have the same information.
- We test the viability of the development under both market purpose built rental and market condominium tenures.

- This financial modeling includes a hurdle rate by which the residual land value must exceed the as-is value if it is to be considered financially viable. This 10% hurdle rate is used to recognize that a landowner would require a financial incentive to sell their property to a developer instead of continuing to hold it (Test 1).
- We then layer on the conceptual IZ policy under various set aside rates to determine whether the redevelopment project maintains a land value that is 10% greater than the as-is value (Test 1), but does not reduce the value of the rezoned parcel value by 15% or more (Test 2).

Based on the above analysis, we look to identify circumstances where the IZ approach passes both tests, signalling viable outcomes for the initial introduction of the IZ policy. Where the policy fails one or both tests, the results highlight areas where we could expect to see development activity weaken or be delayed as a result of the IZ policy until the market can support higher pricing, density permissions are increased, or the IZ policy is amended to allow residential land values to rise above the as-is value of the property.

### 5.3 Financial Model Assumptions

The following is a list of assumptions which are common to all development scenarios tested:

- Every building is assumed to be a cast-in-place concrete apartment building. Hard construction cost estimates are sourced from the Altus Group *2021 Canadian Cost Guide*. The guide provides a range of costs based on building height. NBLC has graduated the cost assumptions to help smooth variations in results. Consistent with the *Cost Guide*, it is assumed that as buildings get taller, they become more costly to construct.
- An additional hard cost premium of 10% is assumed in the Downtown and Yonge-Eglinton test locations to acknowledge the common complexity of developing on a constrained site, often with heritage considerations or other extraordinary issues to manage.
- It is assumed that a developer must rezone the site, to permit the proposed project. The assumption regarding approved density was provided by the City.
- Municipal planning fees, development charges and taxes are calculated using the current rates as of May 2021.
- It is assumed the developer will pay Cash-In-Lieu of Parkland Dedication and a Community Benefit Charge equivalent to 10% and 4% of land value at time of building permit issuance, respectively.
- The model includes other soft costs such as consultants (architects, engineering, etc.), project management, legal, insurance and marketing fees.

- For construction financing, it is assumed the developer can borrow 75% of construction costs at 4.5% per annum.
- Pre-development timelines and construction timelines are estimates based on the anticipated absorption rates and the scale of each prototypical development concept.
- Developer profit for condominium units is assumed to be 15% of gross revenue.
- Profit for purpose built rental and rented condominium units is assumed to be a 50 basis point spread to market capitalization rates. These profit margins are required for both market and below market units and form part of the residual land value equation.
- The capitalization rate for below market rental units is assumed to be 100 basis points greater than the market rental units. This spread to market cap rates is a high-level estimate used to capture the risks associated with operating rent restricted units, namely the risk introduced by restriction on rent increases at vacancy and the increased exposure to operating expense increases which are not similarly restricted.
- The proforma modeling is focused on assessing the impacts of residential uses only and so commercial components of a project such as ground floor retail or office space has not been included in the analysis. We do however acknowledge that in some areas, prevailing planning policy would require developments to be mixed-use, incorporating some commercial uses within the same development. We also acknowledge that the economics of non-residential space may negatively or positively impact the land value results.
- The following table outlines key assumptions regarding the test site, prototypical development concept, and market inputs. A table appended to this report lists other key assumptions applied throughout the modeling exercise.

**Table 6: Area Specific Model Assumptions**

Area Specific Model Assumptions													
Market Location	Building *		Units		Market Units						Affordable Units		
	Storeys	Gross Floor Area (sq. ft.)	Units	Avg. Unit Size (sq. ft.)	Condo Sales Absorption Rate (units per month)	Condo Pricing (per sq. ft.) **	Condo Parking Price (per stall)	Parking Ratio	Rental Pricing (per sq. ft.) **	Rental Parking Revenue (per stall per month)	Parking Ratio *	Affordable Sale Price (per sq. ft.) **	Affordable Rent (per sq. ft.) **
Etobicoke Centre	28	179,000	212	700	15	\$925	\$50,000	0.90	\$3.25	\$120	0.00	\$310	\$1.95
Stockyards / Junction	12	224,000	266	700	12	\$975	\$50,000	0.65	\$3.40	\$120	0.00	\$310	\$1.95
Weston (NIA)	25	188,000	223	700	10	\$850	\$50,000	0.80	\$2.75	\$90	0.00	\$310	\$1.95
Finch West	8	175,000	208	700	12	\$850	\$50,000	0.70	\$3.10	\$90	0.00	\$310	\$1.95
Yonge Eglinton Centre	22	199,000	236	700	20	\$1,250	\$85,000	0.35	\$4.00	\$200	0.00	\$310	\$1.95
North York Centre	35	323,000	383	700	20	\$1,200	\$70,000	0.80	\$3.75	\$200	0.00	\$310	\$1.95
TO Core	47	441,000	563	650	25	\$1,450	\$125,000	0.25	\$4.25	\$200	0.00	\$326	\$2.02
Toronto West	22	290,000	370	650	15	\$1,200	\$80,000	0.50	\$4.00	\$175	0.00	\$326	\$2.02
Toronto East	6	27,000	32	700	10	\$1,250	\$70,000	0.60	\$3.80	\$175	0.00	\$310	\$1.95
Golden Mile	39	320,000	379	700	15	\$1,050	\$50,000	0.90	\$3.10	\$100	0.00	\$310	\$1.95
Scarborough Centre	41	338,000	401	700	15	\$950	\$40,000	0.90	\$3.25	\$90	0.00	\$310	\$1.95

\*Assumptions developed through input and information provided by the City of Toronto

\*\* Average per unit mix

Figure 3 – Locations of the Test Sites



## 5.4 Limitations of this Analysis

This analysis uses available data at a point in time to develop information for policy makers to consider and guide the development of a potential IZ policy. This analysis cannot account for future unexpected shifts in economic conditions which may directly impact development viability.

A key feature of this analysis is that it incorporates a wide variety of site and market-specific conditions. These variables include the as-of-right density permissions and existing land uses, density achieved through rezoning, market pricing, development costs, property constraints, and planning policy considerations, among others. This approach to assessing impacts is appropriate given the core features of the conceptual IZ policy tested in this work – that it is mandatory, applicable to all residential floor area, and does not include a mechanism to offset impacts. The results therefore present a spectrum of potential development outcomes in across the City’s varying markets. However, unknown site-specific issues could influence the degree to which IZ impacts the viability of development on a particular site given variances throughout PMTSAs.

This analysis also cannot capture certain nuances arising from the nature of a historical land purchase or the former capitalization of land costs through the operation of an income-generating use in the interim. Nor can it contemplate the acquisition of land at speculative values, not fully appreciating the magnitude of impacts from future policy adjustments.

Any significant near-term changes to municipal charges (e.g., cash-in-lieu of parkland, development charges) may warrant further consideration of IZ impacts within a revised framework of municipal charges, planning entitlements and geographical considerations related to IZ.

This analysis isolates evaluations to one single development phase. However, in some transit areas, large scale master planned communities are being planned. These projects have a unique set of infrastructure costs. The modelling developed in this research should not be directly applied to these properties without a better understanding of project economics.

There will also be instances where land vendors, developers, or operators have operating assumptions or methodological approaches that differ from those in this report. Landowners may also have difficulty adjusting to land value reductions as a result of IZ and may defer the sale of their land.

This analysis has been updated several times since initially being completed in 2019. The most recent update of market revenue and cost assumptions are as of Spring 2021. This reporting is being released in Fall of 2021 to consider new set aside rates and to reflect peer review comments.

The City should consider further updates to financial testing to reflect market conditions as the policy is implemented.

This analysis cannot assume the wide variations of market factors and the interests of developers and landowners. The results therefore should be considered at a high level and used to provide general direction in developing IZ policies. Further review or consideration could be warranted once PMTSA plans are advanced, a final implementation framework is in place, and as market conditions evolve.

## 6.0 Results

### 6.1 How to Interpret the Results

The results of the financial analysis are shown in Table 7, Table 8, and Table 9. The following is a description of each section of the results table as it relates to the two feasibility tests. Letters A through E in the following list correspond to labeled sections within the summary tables.

- A) Value of Property As-Is:** This is an estimate of the value of each site under as-is, where is conditions.
- B) Land Value Supported by Rezoning Before IZ Policy:** This is an estimate of the residual land value of the site if redeveloped absent the proposed inclusionary zoning policy.

**Impact to Land Value (B-A)** compares the land value supported by the rezoning before the IZ policy (**B**) to the value of the property as-is (**A**).

**Test 1** requires that the value of the site following rezoning (**B**) be at least 10% greater than the value of the property as-is (**A**).

Sites which pass Test 1 are considered to be financially viable prior to the introduction of the IZ policy. These sites may be able to support the addition of an inclusionary zoning requirement.

Sites which fail Test 1 are not considered to be financially viable prior to the introduction of the IZ policy. An incumbent landowner would not have sufficient incentive to sell their property for redevelopment. Sites which fail Test 1 would not be able to support the addition of an inclusionary zoning requirement absent additional offsetting measures.

- C) D) & E) Land Values Supported by Rezoning After IZ Policy:** This is an estimate of the residual land value if redeveloped with inclusionary zoning requirement. Sections C), D), and E) show the results for three different set aside rates.

**Test 1** requires that the rezoned land value with the IZ requirement (C, D, E) remains 10% greater than the value of the property as-is (A).

**Test 2** requires that rezoned land value (B) is not depressed by 15% or more following the introduction of the policy (C, D, E). In all instances, the introduction of the policy will negatively impact land values. A policy with a higher set aside rate (D and E, as compared to C) will have a more substantial impact on land values. The site fails to pass Test 2 when



the set aside rate depresses the land value by 15% or more when compared to land value without the IZ policy (B).

**Test 1** provides two key pieces of information which are necessary to understand the impact of the inclusionary zoning policy.

- It provides an indication as whether the development is likely financially viable prior to the introduction of the policy. Market demand and density permissions are key drivers in this respect.
- It quantifies the value created through the rezoning, commonly referred to as the land value uplift. For the reasons discussed in Section 5.1, quantifying the increment by which land values have increased due to the rezoning is key to ensuring the City's policy is calibrated such that it extracts an appropriate amount of value, but not so much value as to make development unviable. The City must constantly evaluate and update the policy to maintain this balance as market conditions evolve.

**Test 2** then demonstrates whether the IZ policy is likely to produce land value impacts that could create near-term market risk. Any negative impact to land values could create feasibility challenges. It is a methodological choice to identify instances where land values are impacted by 15% or more, simply to provide a signal to policy makers that the magnitude of impact could become untenable to landowners or developers with projects under development. The risks of this negative impact should be mitigated through transition and phase-in.

Table 7: Estimate of land value impacts, condominium apartment building with affordable ownership IZ units

Estimate of Land Value Impact of Inclusionary Zoning Policy																				
Condominium Apartment Building With Affordable Ownership IZ Units																				
Test Site	Pre Inclusionary Zoning Policy					Post Inclusionary Zoning Policy														
	(A) Value of Property As-Is	(B) Land Value Supported by Rezoning Before IZ Policy				(C) Land Value if 4% of GFA Sold at Below Market Rates				(D) Land Value if 8% of GFA Sold at Below Market Rates				(E) Land Value if 12% of GFA Sold at Below Market Rates						
		Land Value	Impact to Land Value (B - A)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value (C - B)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value (D - B)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value (E - B)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value			
																		Total	Total	%
1 Etobicoke Centre	\$7,300,000	\$7,900,000	\$600,000	8%	Fail	\$6,700,000	(\$1,200,000)	-15%	Fail	N/A	\$5,400,000	(\$2,500,000)	-32%	Fail	N/A	\$4,100,000	(\$3,800,000)	-48%	Fail	N/A
2 Stockyards / Junction	\$10,300,000	\$20,500,000	\$10,200,000	99%	Pass	\$18,700,000	(\$1,800,000)	-9%	Pass	Pass	\$16,800,000	(\$3,700,000)	-18%	Pass	Fail	\$15,000,000	(\$5,500,000)	-27%	Pass	Fail
3 Weston	\$6,400,000	\$4,500,000	(\$1,900,000)	-30%	Fail	\$3,300,000	(\$1,200,000)	-27%	Fail	N/A	\$2,200,000	(\$2,300,000)	-51%	Fail	N/A	\$1,000,000	(\$3,500,000)	-78%	Fail	N/A
4 Finch West	\$5,400,000	\$11,100,000	\$5,700,000	106%	Pass	\$10,000,000	(\$1,100,000)	-10%	Pass	Pass	\$8,900,000	(\$2,200,000)	-20%	Pass	Fail	\$7,700,000	(\$3,400,000)	-31%	Pass	Fail
5 Yonge Eglinton Centre	\$18,500,000	\$36,200,000	\$17,700,000	96%	Pass	\$33,600,000	(\$2,600,000)	-7%	Pass	Pass	\$31,000,000	(\$5,200,000)	-14%	Pass	Pass	\$28,300,000	(\$7,900,000)	-22%	Pass	Fail
6 North York Centre	\$20,900,000	\$48,700,000	\$27,800,000	133%	Pass	\$45,200,000	(\$3,500,000)	-7%	Pass	Pass	\$41,600,000	(\$7,100,000)	-15%	Pass	Pass	\$38,100,000	(\$10,600,000)	-22%	Pass	Fail
7 TO Core	\$35,800,000	\$97,300,000	\$61,500,000	172%	Pass	\$91,000,000	(\$6,300,000)	-6%	Pass	Pass	\$84,700,000	(\$12,600,000)	-13%	Pass	Pass	\$78,300,000	(\$19,000,000)	-20%	Pass	Fail
8 Toronto West	\$17,500,000	\$50,600,000	\$33,100,000	189%	Pass	\$47,400,000	(\$3,200,000)	-6%	Pass	Pass	\$44,100,000	(\$6,500,000)	-13%	Pass	Pass	\$40,800,000	(\$9,800,000)	-19%	Pass	Fail
9 Toronto East	\$3,100,000	\$6,300,000	\$3,200,000	103%	Pass	\$5,900,000	(\$400,000)	-6%	Pass	Pass	\$5,500,000	(\$800,000)	-13%	Pass	Pass	\$5,200,000	(\$1,100,000)	-17%	Pass	Fail
10 Golden Mile	\$8,400,000	\$25,300,000	\$16,900,000	201%	Pass	\$22,600,000	(\$2,700,000)	-11%	Pass	Pass	\$19,900,000	(\$5,400,000)	-21%	Pass	Fail	\$17,200,000	(\$8,100,000)	-32%	Pass	Fail
11 Scarborough Centre	\$4,100,000	\$12,300,000	\$8,200,000	200%	Pass	\$10,000,000	(\$2,300,000)	-19%	Pass	Fail	\$7,700,000	(\$4,600,000)	-37%	Pass	Fail	\$5,300,000	(\$7,000,000)	-57%	Pass	Fail

Table 8: Estimate of land value impacts, condominium apartment building with affordable rental IZ units

Estimate of Land Value Impact of Inclusionary Zoning Policy																				
Condominium Apartment Building with Affordable Rental IZ Units																				
Test Site	Pre Inclusionary Zoning Policy					Post Inclusionary Zoning Policy														
	(A) Value of Property As-Is	(B) Land Value Supported by Rezoning Before IZ Policy				(C) Land Value if 4% of GFA Rented at Below Market Rates				(D) Land Value if 6% of GFA Rented at Below Market Rates				(E) Land Value if 8% of GFA Rented at Below Market Rates						
		Land Value	Impact to Land Value (B - A)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value (C - B)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value (D - B)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value (E - B)	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Land Value 10% Less Than 15% Negative Impact to Land Value			
																		Total	Total	%
1 Etobicoke Centre	\$7,300,000	\$7,900,000	\$600,000	8%	Fail	\$6,300,000	(\$1,600,000)	-20%	Fail	N/A	\$5,500,000	(\$2,400,000)	-30%	Fail	N/A	\$4,600,000	(\$3,300,000)	-42%	Fail	N/A
2 Stockyards / Junction	\$10,300,000	\$20,500,000	\$10,200,000	99%	Pass	\$18,200,000	(\$2,300,000)	-11%	Pass	Pass	\$17,100,000	(\$3,400,000)	-17%	Pass	Fail	\$15,900,000	(\$4,600,000)	-22%	Pass	Fail
3 Weston	\$6,400,000	\$4,500,000	(\$1,900,000)	-30%	Fail	\$3,000,000	(\$1,500,000)	-33%	Fail	N/A	\$2,200,000	(\$2,300,000)	-51%	Fail	N/A	\$1,400,000	(\$3,100,000)	-69%	Fail	N/A
4 Finch West	\$5,400,000	\$11,100,000	\$5,700,000	106%	Pass	\$9,700,000	(\$1,400,000)	-13%	Pass	Pass	\$8,900,000	(\$2,200,000)	-20%	Pass	Fail	\$8,200,000	(\$2,900,000)	-26%	Pass	Fail
5 Yonge Eglinton Centre	\$18,500,000	\$36,200,000	\$17,700,000	96%	Pass	\$33,000,000	(\$3,200,000)	-9%	Pass	Pass	\$31,500,000	(\$4,700,000)	-13%	Pass	Pass	\$29,900,000	(\$6,300,000)	-17%	Pass	Fail
6 North York Centre	\$20,900,000	\$48,700,000	\$27,800,000	133%	Pass	\$44,400,000	(\$4,300,000)	-9%	Pass	Pass	\$42,200,000	(\$6,500,000)	-13%	Pass	Pass	\$40,000,000	(\$8,700,000)	-18%	Pass	Fail
7 TO Core	\$35,800,000	\$97,300,000	\$61,500,000	172%	Pass	\$89,900,000	(\$7,400,000)	-8%	Pass	Pass	\$86,100,000	(\$11,200,000)	-12%	Pass	Pass	\$82,300,000	(\$15,000,000)	-15%	Pass	Fail
8 Toronto West	\$17,500,000	\$50,600,000	\$33,100,000	189%	Pass	\$46,700,000	(\$3,900,000)	-8%	Pass	Pass	\$44,700,000	(\$5,900,000)	-12%	Pass	Pass	\$42,700,000	(\$7,900,000)	-16%	Pass	Fail
9 Toronto East	\$3,100,000	\$6,300,000	\$3,200,000	103%	Pass	\$5,800,000	(\$500,000)	-8%	Pass	Pass	\$5,600,000	(\$700,000)	-11%	Pass	Pass	\$5,400,000	(\$900,000)	-14%	Pass	Pass
10 Golden Mile	\$8,400,000	\$25,300,000	\$16,900,000	201%	Pass	\$21,900,000	(\$3,400,000)	-13%	Pass	Pass	\$20,200,000	(\$5,100,000)	-20%	Pass	Fail	\$18,600,000	(\$6,700,000)	-26%	Pass	Fail
11 Scarborough Centre	\$4,100,000	\$12,300,000	\$8,200,000	200%	Pass	\$9,400,000	(\$2,900,000)	-24%	Pass	Fail	\$7,900,000	(\$4,400,000)	-36%	Pass	Fail	\$6,400,000	(\$5,900,000)	-48%	Pass	Fail

**Table 9: Estimate of land value impacts, purpose built rental apartment building with affordable rental IZ units**

Estimate of Land Value Impact of Inclusionary Zoning Policy																				
Purpose Built Rental Apartment Building with Affordable Rental IZ Units																				
Test Site	Pre Inclusionary Zoning Policy					Post Inclusionary Zoning Policy														
	(A) Value of Property As-Is	(B) Land Value Supported by Rezoning Before IZ Policy			Test 1 Land Value 10% Greater Than As-Is Value	(C) Land Value if 4% of GFA Rented at Below Market Rates				Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	(D) Land Value if 6% of GFA Rented at Below Market Rates			Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	(E) Land Value if 8% of GFA Rented at Below Market Rates			
		Land Value	Impact to Land Value (B - A)	%		Land Value	Impact to Land Value (C - B)	%	Land Value			Impact to Land Value (D - B)	%	Land Value			Impact to Land Value (E - B)	%	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value
Total	Total	%	Total	Total	%	Total	Total	%	Total	Total	%	Total	Total	%	Total	Total	%			
1 Etobicoke Centre	\$7,300,000	\$0	(\$7,300,000)	-100%	Fail	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A
2 Stockyards / Junction	\$10,300,000	\$16,200,000	\$5,900,000	57%	Pass	\$14,000,000	(\$2,200,000)	-14%	Pass	Pass	\$13,000,000	(\$3,200,000)	-20%	Pass	Fail	\$11,900,000	(\$4,300,000)	-27%	Pass	Fail
3 Weston	\$6,400,000	\$0	(\$6,400,000)	-100%	Fail	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A
4 Finch West	\$5,400,000	\$5,500,000	\$100,000	2%	Fail	\$4,300,000	(\$1,200,000)	-22%	Fail	N/A	\$3,700,000	(\$1,800,000)	-33%	Fail	N/A	\$3,000,000	(\$2,500,000)	-45%	Fail	N/A
5 Yonge Eglinton Centre	\$18,500,000	\$24,200,000	\$5,700,000	31%	Pass	\$21,400,000	(\$2,800,000)	-12%	Pass	Pass	\$20,000,000	(\$4,200,000)	-17%	Fail	N/A	\$18,600,000	(\$5,600,000)	-23%	Fail	N/A
6 North York Centre	\$20,900,000	\$20,100,000	(\$800,000)	-4%	Fail	\$16,600,000	(\$3,500,000)	-17%	Fail	N/A	\$14,800,000	(\$5,300,000)	-26%	Fail	N/A	\$13,100,000	(\$7,000,000)	-35%	Fail	N/A
7 TO Core	\$35,800,000	\$56,900,000	\$21,100,000	59%	Pass	\$50,100,000	(\$5,800,000)	-12%	Pass	Pass	\$46,700,000	(\$10,200,000)	-18%	Pass	Fail	\$43,200,000	(\$13,700,000)	-24%	Pass	Fail
8 Toronto West	\$17,500,000	\$39,900,000	\$22,400,000	128%	Pass	\$36,000,000	(\$3,900,000)	-10%	Pass	Pass	\$34,100,000	(\$5,800,000)	-14%	Pass	Pass	\$32,100,000	(\$7,800,000)	-20%	Pass	Fail
9 Toronto East	\$3,100,000	\$3,700,000	\$600,000	19%	Pass	\$3,400,000	(\$300,000)	-8%	Fail	N/A	\$3,200,000	(\$500,000)	-14%	Fail	N/A	\$3,000,000	(\$700,000)	-19%	Fail	N/A
10 Golden Mile	\$8,400,000	\$0	(\$8,400,000)	-100%	Fail	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A
11 Scarborough Centre	\$4,100,000	\$3,500,000	(\$600,000)	-15%	Fail	\$500,000	(\$3,000,000)	-86%	Fail	N/A	\$0	(\$3,500,000)	-100%	Fail	N/A	\$0	(\$3,500,000)	-100%	Fail	N/A

## 6.2 Density Matters

The amount of the density that is anticipated to be approved through the rezoning is an important determinant as to whether a project is financially viable before an IZ policy is introduced and whether a site can remain viable for redevelopment after an IZ policy is applied.

The results of the Etobicoke test location provide a good illustration of this dynamic. The as-of-right density at this prototype site is 3.5 FSI and the rezoned density is 4.4 FSI, roughly a 25% increase in allowable building area. Prior to the introduction of the IZ policy and under the assumption the developer pursues a condominium development, this added density increases the land value from approximately \$7.3 million to \$7.9 million (B). This rezoned land value is approximately \$600,000, or roughly 8% greater than the as-is land value (A). This does not exceed the 10% improvement to the as-is land value that we consider necessary for a landowner to sell the property for redevelopment (Test 1), and so we conclude that there is not a viable opportunity to capture value through an IZ policy is applied under the conditions modelled herein.

The amount of density that is achieved through the rezoning at the Etobicoke site is relatively modest when we compare this result to that of other test locations. For example, the as-of-right density permitted at the Scarborough Centre test location is 2.0 FSI but it is assumed that the developer could achieve 7.0 FSI through a rezoning. Where the rezoning at the Etobicoke site adds an additional 25%, or 37,000 sq. ft. of developable building area, the Scarborough Centre site gains nearly 250%, or roughly 240,000 sq. ft. of additional building area. That rezoning improves the Scarborough Centre land value from approximately \$4.1M to \$12.3M, an increase of \$8.2M or approximately 200%.

The amount of additional density achieved through the rezoning therefore becomes very important as we layer on the IZ policy and increase the set-aside rate. In the instance of the Etobicoke site, the increased density achieved through the rezoning would be insufficient to offset the loss of revenue at the lowest set aside rate tested.

Allowable density therefore becomes a key consideration to determining how much affordable housing can be leveraged through an IZ policy. Future PMTSA planning work creates an opportunity for the City to introduce and calibrate density expectations for sites in tandem with the application of the IZ policy. It will be important that the allowable density is sufficient to support a land value greater than the as-is value, before and after the IZ policy is applied, for new residential development to occur in the areas.

## 6.3 Stronger Markets Show Greater Potential for Affordable Units through IZ

Impacts to viability should be distinguished from impacts to land value. While sites may still have land values that can outcompete other uses (e.g., the “as-is” value), it may also be true that the

application of an IZ policy creates significant compression in land value. This analysis first compares the value of the site as-is to the value as supported by redevelopment to determine whether redevelopment is viable before and after an IZ policy is introduced (Test 1). We then consider the magnitude of land value impact that the rezoned property might experience when IZ is applied. Notwithstanding the long term value capture opportunity that may exist with an IZ policy, at the instance of policy change it is pragmatic to ensure that the new policy does not create a market shock (Test 2).

In areas where development land value is much higher than the as-is land value (Test 1), a project could remain viable even if the IZ policy depresses the land value by a significant amount. In some instances, a 30% to 50% impact might still allow the value of a rezoned site to outcompete as-is land values. That is, a residential developer could still afford to acquire land at a price greater than as-is value, despite the sizable impact on land value brought about by IZ. However, in other instances an impact to land value in the order of 10% to 20% can be enough to erode development viability.

When only considering Test 1, our analysis illustrates that an 12% set-aside rate for affordable ownership, or for 8% affordable rental units, could likely be absorbed in condominium apartment projects across most of the test locations. At greater set aside rates, only the sites in the strongest markets areas produced financially viable results. However, high set-aside rates create significant land value impacts and will require time for markets to adjust, as is considered in Test 2. The results of higher set aside rates are presented in an appendix to this report. In practice, these set aside rates might only be achievable in instances where as-is land values are low (e.g., Employment Areas) and the change to residential permissions creates a large increase, or, with an appropriate phase in period.

The ability of purpose-built rental projects to accommodate an IZ policy illustrated weaker results. Roughly half of the sites were not viable for development prior to the introduction of the policy (Test 1). Thereafter, only the strongest market areas could sustain a modest IZ set-aside rate. In all instances, the land value supported by redevelopment for condominium tenure would generate land value greater than supported by purpose built rental, indicating that feasibility for rental projects could be more challenging if developers must acquire land at these higher prices.

#### **6.4 Markets Need Time to Adjust**

While the results of Test 1 demonstrate where there may be long-term value capture potential to support IZ, it is also true that in many locations across Toronto, developers have acquired land based on their estimate of the maximum approvable (and market supportable) built form. Given this, it will be advisable to design and implement an IZ approach that is phased in to limit the risk of disrupting the housing market and project viability significantly, allowing for development to

adjust and proceed in the near term. This is essential if the policy is to achieve its desired outcome; increasing the overall supply of housing, including some that can be sold or leased at affordable rates.

Where land values are significantly reduced as a result of IZ (as considered in Test 2), it is possible that landowners might defer the sale of land to a developer for housing, hoping that land values will increase in time. For developers who have purchased land, a range of project and site-specific factors would become relevant, including the motivations of the landowner and developer interests involved. This dynamic should be addressed through a transition framework with modest initial set aside rates when the City implements a policy of this nature. A shock to the market could manifest in different ways but would likely include a delay in the pace at which near term residential development activity occurs, or a shift in investment activity to locations outside of where the policy applies.

It would be valuable to signal in advance the intention to impose a IZ policy as far ahead as possible to allow the market to adjust, including throughout weaker market locations where speculative land purchasing has yet to ramp up. While the implementation of IZ could slow down or delay the market maturation process in weaker submarkets, early implementation will in fact condition the development community about future expectations and could be offset by other financial incentive programs in the interim. If IZ is in place – at modest rates – as weaker submarkets evolve, the market can price the policy into future land acquisition.

## **6.5 Impacts through Affordable Ownership**

This latest update to our analysis explores the impact of affordable ownership units on development viability. The analysis shows that providing affordable ownership units has a similar impact on development viability when compared to providing affordable rental units. This is due the fact that the City's proposed definition of affordable condominium sale prices have been adjusted such that they show similar land value impacts.

Financial impact aside, it would also appear that delivering affordable ownership units would be an easier process to administer as developers could likely expect that qualifying purchasers would remit purchase deposits in the same fashion that a market purchaser would during the predevelopment sales period. In addition, owners of these units, not the developer would be responsible for the ongoing ownership costs, including property taxes and condo fees.

## **6.6 Impacts on Emerging Markets**

There are high density residential submarket locations in Toronto that are less mature, and the viability of development is only now just emerging. While the market opportunity for new high density development is growing across most submarkets city-wide, an IZ policy must

acknowledge that economics of apartment (rental or condominium) development do not always support high land values when compared to other allowable land uses such as office, industrial or retail uses.

Our analysis illustrated that in Weston and Etobicoke Centre that even an IZ policy with very low set aside rates would impact development viability for most types of residential development. It is also probable that, except for the Keele and Finch test site, that the balance of the Finch market area would also encounter viability issues with an IZ policy, even with the new LRT service as the marketability of development is likely to decline further west of the Subway interchange.

This is not to suggest that IZ policies should not be considered in weaker markets. The Scarborough Subway Extension, SmartTrack/ RER and the Ontario Line will create new stations that will dramatically transform some market areas. Some of these locations could be good candidates for IZ policies. The intersection of McCowan and Sheppard, at the terminus of the Scarborough Subway is a possible example. The opportunity for significant shifts in land value in these areas is strong and should be captured through detailed PMTSA plans. As land use permissions are being reconsidered at these future station areas, so should the inclusion of IZ policies.

Other areas may also emerge in the future as suitable for IZ policies as demand and pricing evolve. The City should monitor and anticipate these market changes as they present opportunities for IZ expansion.

## **6.7 Impacts on Rental Projects**

IZ units affect project viability primarily through a revenue reduction as a portion of units would be leased at below market rates. In this analysis we tested the inclusion of affordable rental units in both market condominium and market rental buildings. Generally, the residual land value in the market condominium and market rental buildings are reduced by a similar amount on a percentage basis (notwithstanding some exceptions).

Despite a similar reduction in land value, the impact on viability through an IZ policy could be different. Depending on the price of development land in the market, it is possible that condominium projects could sustain the IZ policy, while new rental projects would be deterred.

With other things being equal, condominium apartment developments typically support a higher land value than rental developments, and therefore are more likely to stay viable with IZ requirements.

Rental housing is typically at a disadvantage in Ontario for several reasons including:

- **Financing:** In a condominium project, financing can be supported with less equity due to the pre-sale process. The pre-sale process allows lenders to become comfortable with the viability of the project, years before the development is completed. In rental housing, leasing cannot begin until the building is very close to completion. The market risk between the time the project is initiated, and the leasing period is much more difficult to assess. As a result, equity requirements are typically greater in purpose-built rental projects.
- **Revenue:** Related to the above, a rental development requires the developer to go many years into the development process without any revenue. Even once the building is constructed it can take many months for the building to become fully occupied and ‘stabilize’. In a condominium development, subject to obtaining deposit insurance, purchaser’s deposits can act as an inexpensive source of project financing. When the development is ready to be occupied, the developer can charge purchasers of occupied units an interim occupancy charge until the project is registered and purchasers begin to pay their mortgages.
- **Market and Risk:** For many developers the market opportunity for condominium development offers much less risk and relatively quick returns compared to purpose-built rental development where returns are earned over a longer period.
- **Land Acquisition Competition:** For the reasons identified above, rental developers must attribute greater discounting to their projects to reflect risk and time-value-of-money. This often means that a rental developer cannot pay the same land price that a condominium developer can. Often, new rental development occurs on land which has been historically inventoried or capitalized through another productive land use (i.e., large format retail).

It becomes apparent that due to the factors noted above, IZ would negatively affect new rental projects to a greater degree than condominium projects. The economics of housing development already favour condominium projects in terms of their ability to compete for land and the introduction of an IZ policy would worsen this dynamic. The results indicate that even a modest set aside rate could reduce land values to zero.

## 6.8 Affordability Period

In this updated evaluation, the City has opted to test only one period of affordability; 99-years. However, previous iterations of this analysis have demonstrated that limited affordability timelines can – depending on the perspectives of individual developers – mitigate the land value impacts of IZ to some degree by offering a reversionary value at some point in time. Notwithstanding, the public policy implications with a limited period of affordability are not optimal; from an affordable housing policy perspective, longer affordability timelines are best.



## 6.9 Impacts on Affordability

As discussed in prior sections and our previous reporting, an impact of an IZ policy would be to reduce a portion of project revenue, (increasing costs as a proportion of total revenue) placing downward pressure on residential land value. If land prices decline significantly, landowners may be less likely to sell property for the purposes of redevelopment. This could result in reducing the supply of housing entering the marketplace until demand increases pricing sufficiently to trigger development. In broad terms, constraints on housing supply can affect affordability. The key to a successful IZ policy will be to strike a degree of balance so that the supply of new market housing does not contract.

## 6.10 Impacts on Other Land Uses

If IZ is applied in a manner that creates a significant impact to residential land values, an unintended consequence could be an improvement in the ability for other productive non-residential uses such as retail or office development to compete for land in prime locations, or a slowing of development interest overall. This should be considered relative to other growth objectives that the City has at existing and emerging transit station areas.

## 7.0 Conclusions

Inclusionary Zoning presents a long-term policy opportunity which could yield a continuous supply of affordable housing units for the City. This analysis demonstrates that there are locations across Toronto where market demand and the density achieved through a typical rezoning process may be sufficient to absorb the IZ policy as tested. The overall impact of the IZ policy in all markets would be to decrease a developer's budget to acquire land, which over time could lead to land values adjusting downward to absorb the cost of the policy. This is of course unless pricing continues to trend upwards at a rate equal to, or greater than, cost increases. The City can not control whether landowners will accept lower prices, therefore an initial IZ policy should mitigate against significant land value impacts through transition and phasing to ensure that the supply of new housing is not disrupted and that new IZ units can be created.

The majority of Toronto's residential apartment development activity occurs within the Downtown, the Yonge Corridor and in North York along the Subway lines. Within this framework of assumptions, this study generally demonstrates that the land market should have the ability to absorb the impact brought about by a modest IZ policy in these areas without jeopardizing development viability.

As the City of Toronto considers an initial IZ policy, we offer the following recommendations which should be considered holistically in the development of the policy:

- **IZ should be viewed as a forward-looking policy that will be in-force and adjusted over the long term.** The policy has the potential to create thousands of affordable units over time. However, this requires a measured approach and recognition that the policy tool must be well aligned with market and economic reality. With a successful implementation of the initial policy, set asides rates could potentially be increased as the market dictates. Implementing an overly aggressive IZ policy at the outset could stall development activity.
- **The City should use the results of this prototype testing to inform the structure of an initial IZ policy.** It is possible that initial IZ set aside rates may not fully extract the total magnitude of affordable housing potential on every site across the City. However, it is also true that not all sites are 'prototypical' as there are significant variations in costs and existing conditions from site to site, especially for constrained infill development locations. In the development of an initial IZ policy, it is important that the policy measures are sensitive to this reality and seek to ensure that development remains financially viable. This will allow time for markets to adjust and for the City to develop detailed PMTSA plans that calibrate an IZ policy to development permissions, taking into account variation in the local market and entitlement characteristics unique to that PMTSA.

- **Consider a transition period before the policy is introduced to allow the market to clear any projects which are currently under development.** The City should also clearly communicate when the policy will come into force and how the policy parameters such as the set aside rate may change over time. The length of the transition period should reflect the time it takes for typical development to submit complete applications for entitlements such as zoning and site plan approval, understanding complex and large master planned projects may require special accommodation. In all cases, the set aside rates and definitions of affordability should be communicated clearly to the market so that developers, non-profits, and landowners can plan accordingly.
- **Following the transition period, the City should introduce the policy gradually over a phase-in period starting with a low IZ set-aside rate and a projection of specified, periodic increases.** Overall, the City’s approaches to implementation should ensure that markets are able to adjust, allowing new development lands to be priced accordingly and sites which are currently in pre-development stages to proceed. This will also ensure that land value impacts are accommodated gradually.
- **Recommendations for initial IZ transition and set aside rates are as follows:**
  - The City should consider an IZ policy that comes into effect in late 2022, assuming the set aside rates generally recommended below.
  - The City should consider holding initial set aside rates constant for the first 3 to 5 years before gradually transitioning to higher rates – if justified by market evidence and advancements in more prescriptive PMTSA plans – over time.
  - The results of the testing illustrate that an initial set aside rates at 8% for affordable ownership and 6% for affordable rental in the strongest market areas would be reasonable.
  - As discussed above, subject to market conditions and PMSTA planning, it is probable that rates could be refined further in subsequent iterations of IZ to maximize the benefit in areas that have the greatest potential for the delivery of affordable housing.
  - We do not recommend applying IZ to rental housing projects at this time.
- **Consider implementing IZ with different set-aside rates across PMTSA’s to allow for market variances.** The high-density residential market is geographically diverse. Therefore, IZ is not achievable in a uniform fashion without offsetting measures and/ or a transition framework to support development in weaker submarkets. Market strength must be considered carefully when calibrating IZ rates.

- **Consider varying the set aside rates for the delivery of affordable ownership and affordable rental units.** This approach could incent the tenure of units that best suit the profile of affordable housing need in the City. The cost implications for the provision of affordable rental versus affordable ownership units will be different for developers. This is premised on the interpretation that developers, not the City, will have discretion in selecting the tenure of affordable units created through IZ. This consideration should also apply to the delivery of market ownership versus purpose-built rental projects, acknowledging the varying economic performance and land value capacity of those projects.
- **The initial IZ policy should evolve alongside development entitlements in each PMTSA.** Future PMTSA planning should calibrate affordability requirements in tandem with allowable densities determined. A successful IZ policy requires a measure of clarity in station area plans to form the basis by which future land values can be established.
- **Consider higher set aside rates in PMTSA areas where significant changes to planning entitlements are anticipated** (i.e., a conversion from Employment Areas). While not tested in our study, we also believe that the new station areas being created through the GO RER/ Smart Track program, the Scarborough Subway extension and the Ontario Line could also offer significant opportunities to consider for IZ policies. New PMTSA plans will offer an opportunity to calibrate new planning permissions with affordable housing requirements in a way that strives to internalize the value capture impact of IZ in exchange for new density permissions and transit investment. We envision this as a similar policy to what is known as “Large Sites Policy” articulated in Official Plan policy 3.2.1.9, but with additional nuance to reflect the underlying land use conditions and emerging density permissions in a PMTSA.
- **Explore an implementing framework that allows the IZ policy to be flexible in select scenarios.** For example, in instances where developers can demonstrate a lack of feasibility (e.g., in purpose-built rental apartment scenarios) and/ or where other significant community benefits are being provided through the project, off-site dedication or reductions in requirements could be appropriate.
- **The long term management of affordable housing units delivered through IZ is a critical aspect to its implementation.** IZ policies should be paired with program details regarding who owns and operates units and the types of agreements that would be registered on title to ensure that the policy is efficient and sustainable to operate. The City should also develop a framework to maintain oversight of the depth and duration of affordability and unit types as necessary. It is possible that this framework could have cost implications to the development community that need to be considered in a development pro forma. It is recommended that this implementation and management framework be brought forward well before the policy

transition date so that council, staff, developers, and the public have a common understanding of costs and complexity to administer the policy over the long term.

- **The IZ policy should be revisited at regular intervals to ensure its responsiveness to market conditions.** The Toronto real estate market can change quickly. A broad range of economic and political factors have proven to cause rapid and unexpected positive and negative shifts. Moreover, it should also be acknowledged that changes to other City policies which affect development economics are being considered (e.g., development charges, parkland, and a community benefits charge). An effective IZ policy should be designed in a manner that it can react quickly to changes in market conditions and cost factors, if required. The City should continue monitoring market conditions after the introduction of IZ because there is likely to be a lag – perhaps over several years – between the timing of policy introduction and when impacts (positive or negative) are realized.

## 8.0 Appendix – Model Assumptions

Table 10: Financial Model Assumptions

Financial Model Assumptions		Notes
<b>Hard Costs</b>		
Above Grade Construction Cost - Concrete Apartment	\$230 to \$333	<i>per sq. ft. Varies by height. Midpoint of range provided in Altus Group 2021 Canadian Cost Guide</i>
Below Grade Construction Cost	\$180	<i>per sq. ft. Midpoint of range provided in Altus Group 2021 Canadian Cost Guide</i>
Hard Cost Premium for Constrained Sites	10.00%	<i>of hard costs. Applies to TO Core and Yonge Eglinton test location</i>
Servicing Connection Cost	\$500,000	<i>total</i>
Landscaping & Hardscaping	\$1,000	<i>per unit</i>
Demolition & Site Preparation	\$15	<i>per sq. ft. of site area</i>
Contingency Factor	10.00%	<i>of Hard Costs excluding cost inflation</i>
<b>Soft Costs</b>		
Planning Application Fees		
OPA and ZBL - Base Fee	\$42,152	<i>total</i>
OPA and ZBL - Additional Fee	\$8.29	<i>per sq. m.</i>
Site Plan Application - Base Fee	\$22,638	<i>total</i>
Site Plan Application - Additional Fee		
500-700 sq. m.	\$15.96	<i>per sq. m.</i>
700-1,400 sq. m.	\$12.34	<i>per sq. m.</i>
1,400-4,400 sq. m.	\$8.01	<i>per sq. m.</i>
Over 4,400 sq. m.	\$3.98	<i>per sq. m.</i>
Plan of Condominium - Base Fee	\$9,983	<i>total</i>
Plan of Condominium - Additional Fee	\$27.61	<i>per unit</i>

<b>Building Permit Fees</b>		
Hourly Examination Fee	\$85.79	<i>per hour. Analysis assumes 1 hour of examination time per 1,000 sq. ft. GFA</i>
Residential Unit Fee	\$52.08	<i>per unit</i>
Multiple Unit Building Index	\$17.16	<i>per sq. m.</i>
<b>Development Charges &amp; Other Exactions</b>		
Apartments 1 Bed and Bath.	\$33,358	<i>per unit</i>
Apartments 2 + Bedrooms	\$51,103	<i>per unit</i>
Educational Development Charges	\$2,993	<i>per unit. May 2023 rate</i>
Cash-In-Lieu of Parkland & Community Benefit Charges	14.00%	<i>of land value at time of permit</i>
Property Tax Rate	0.60%	<i>of project value</i>
Ontario & Toronto Land Transfer Tax	4.00%	<i>of land value at acquisition</i>
Consultants, Project Management, Legal, Insurance, Marketing, Development & Construction Management	14.50%	<i>of hard costs</i>
Sales Commission Fee	4.00%	<i>of sales revenue</i>
Lender's Administrative Fee	0.80%	<i>of loan value</i>
Construction Loan Interest Rate	4.50%	<i>per year</i>
HST Rate	13.00%	
<b>Condominium-Specific Assumptions</b>		
Condominium Profit Margin	15.00%	<i>of gross revenue</i>
Initial and Final Deposit	20%	<i>of sale price</i>
Price Increase at Start and End of Construction	2%	<i>of sale price</i>
Sold During Pre-Construction / Presales	70%	<i>of units sold</i>
Sold During Construction	20%	<i>of units sold</i>
Sold at Completion	10%	<i>of units sold</i>
Time Prior to Land Sale	0.5	<i>years</i>
Time to Begin of Marketing after Land Purchase	1.5	<i>years</i>

Occupancy Period Prior to Registration	0.5	<i>years</i>
<b>Rental-Specific Assumptions</b>		
Vacancy & Bad Debt	2.00%	<i>of gross effective income. Applicable to all rental units</i>
Operating Expenses - Purpose Built Rental Buildings	36.00%	<i>of gross effective income, including property taxes.</i>
Operating Expenses - Rental Units in Condominium Building	\$0.85	<i>Excluding property tax. Property tax variable per market value of unit</i>
Strong Market Rental Capitalization Rate	3.00%	<i>Lower bound for Multifamily in CBRE Q1 2021 &amp; Colliers Q4 2020 Cap Rate Reports</i>
Moderate and Other Market Capitalization Rate	3.25%	<i>25 bps greater than strong markets</i>
Affordable Rental Capitalization Rate – Spread to Market	1.00%	<i>100 bps greater than market purpose-built rental units</i>
Rental Profit Margin	0.50%	<i>greater than market capitalization rate</i>
Rental Absorption Rate	8%	<i>of units per month</i>
<b>Valuation Assumptions</b>		
Market Revenue Inflation	2.00%	<i>per year. Applicable to market rental and ownership prices</i>
Affordable Revenue Inflation	1.50%	<i>per year. Applicable to affordable rental and ownership prices</i>
Cost Inflation	2.00%	<i>per year</i>
Discount Rate	6.00%	<i>per year</i>



## 9.0 Appendix – Test of Alternative Set Aside Rates

Table 11: Estimate of land value impacts, condominium apartment building with affordable ownership IZ units

Estimate of Land Value Impact of Inclusionary Zoning Policy																				
Condominium Apartment Building With Affordable Ownership IZ Units																				
Test Site	Pre Inclusionary Zoning Policy					Post Inclusionary Zoning Policy														
	(A) Value of Property As-Is	(B) Land Value Supported by Rezoning Before IZ Policy				(C) Land Value if 10% of GFA Sold at Below Market Rates				(D) Land Value if 20% of GFA Sold at Below Market Rates				(E) Land Value if 30% of GFA Sold at Below Market Rates						
		Land Value	Impact to Land Value [B - A]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [C - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [D - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [E - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value			
Total	Total	%		Total	Total	%		Total	Total	%		Total	Total	%		Total	Total	%		
1 Etobicoke Centre	\$7,300,000	\$7,900,000	\$600,000	8%	Fail	\$4,800,000	(\$3,100,000)	-39%	Fail	N/A	\$1,500,000	(\$6,400,000)	-81%	Fail	N/A	\$0	(\$7,900,000)	-100%	Fail	N/A
2 Stockyards / Junction	\$10,300,000	\$20,500,000	\$10,200,000	99%	Pass	\$15,900,000	(\$4,600,000)	-22%	Pass	Fail	\$11,200,000	(\$9,300,000)	-45%	Fail	N/A	\$6,500,000	(\$14,000,000)	-68%	Fail	N/A
3 Weston	\$6,400,000	\$4,500,000	(\$1,900,000)	-30%	Fail	\$1,600,000	(\$2,900,000)	-64%	Fail	N/A	\$0	(\$4,500,000)	-100%	Fail	N/A	\$0	(\$4,500,000)	-100%	Fail	N/A
4 Finch West	\$5,400,000	\$11,100,000	\$5,700,000	106%	Pass	\$8,300,000	(\$2,800,000)	-25%	Pass	Fail	\$5,500,000	(\$5,600,000)	-50%	Fail	N/A	\$2,600,000	(\$8,500,000)	-77%	Fail	N/A
5 Yonge Eglinton Centre	\$18,500,000	\$36,200,000	\$17,700,000	96%	Pass	\$29,600,000	(\$6,600,000)	-18%	Pass	Fail	\$23,100,000	(\$13,100,000)	-36%	Pass	Fail	\$16,400,000	(\$19,800,000)	-55%	Fail	N/A
6 North York Centre	\$20,900,000	\$48,700,000	\$27,800,000	133%	Pass	\$39,900,000	(\$8,800,000)	-18%	Pass	Fail	\$30,900,000	(\$17,800,000)	-37%	Pass	Fail	\$21,800,000	(\$26,900,000)	-55%	Fail	N/A
7 TO Core	\$35,800,000	\$97,300,000	\$61,500,000	172%	Pass	\$81,500,000	(\$15,800,000)	-16%	Pass	Fail	\$65,400,000	(\$31,900,000)	-33%	Pass	Fail	\$48,800,000	(\$48,500,000)	-50%	Pass	Fail
8 Toronto West	\$17,500,000	\$50,600,000	\$33,100,000	189%	Pass	\$42,400,000	(\$8,200,000)	-16%	Pass	Fail	\$34,100,000	(\$16,500,000)	-33%	Pass	Fail	\$25,700,000	(\$24,900,000)	-49%	Pass	Fail
9 Toronto East	\$3,100,000	\$6,300,000	\$3,200,000	103%	Pass	\$5,300,000	(\$1,000,000)	-16%	Pass	Fail	\$4,400,000	(\$1,900,000)	-30%	Pass	Fail	\$3,500,000	(\$2,800,000)	-44%	Pass	Fail
10 Golden Mile	\$8,400,000	\$25,300,000	\$16,900,000	201%	Pass	\$18,500,000	(\$6,800,000)	-27%	Pass	Fail	\$11,700,000	(\$13,600,000)	-54%	Pass	Fail	\$4,700,000	(\$20,600,000)	-81%	Fail	N/A
11 Scarborough Centre	\$4,100,000	\$12,300,000	\$8,200,000	200%	Pass	\$6,500,000	(\$5,800,000)	-47%	Pass	Fail	\$600,000	(\$11,700,000)	-95%	Fail	N/A	\$0	(\$12,300,000)	-100%	Fail	N/A

Table 12: Estimate of land value impacts, condominium apartment building with affordable rental IZ units

Estimate of Land Value Impact of Inclusionary Zoning Policy																				
Condominium Apartment Building with Affordable Rental IZ Units																				
Test Site	Pre Inclusionary Zoning Policy					Post Inclusionary Zoning Policy														
	(A) Value of Property As-Is	(B) Land Value Supported by Rezoning Before IZ Policy				(C) Land Value if 10% of GFA Rented at Below Market Rates				(D) Land Value if 20% of GFA Rented at Below Market Rates				(E) Land Value if 30% of GFA Rented at Below Market Rates						
		Land Value	Impact to Land Value [B - A]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [C - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [D - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [E - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value			
Total	Total	%		Total	Total	%		Total	Total	%		Total	Total	%		Total	Total	%		
1 Etobicoke Centre	\$7,300,000	\$7,900,000	\$600,000	8%	Fail	\$3,800,000	(\$4,100,000)	-52%	Fail	N/A	\$0	(\$7,900,000)	-100%	Fail	N/A	\$0	(\$7,900,000)	-100%	Fail	N/A
2 Stockyards / Junction	\$10,300,000	\$20,500,000	\$10,200,000	99%	Pass	\$14,800,000	(\$5,700,000)	-28%	Pass	Fail	\$9,000,000	(\$11,500,000)	-56%	Fail	N/A	\$3,100,000	(\$17,400,000)	-85%	Fail	N/A
3 Weston	\$6,400,000	\$4,500,000	(\$1,900,000)	-30%	Fail	\$700,000	(\$3,800,000)	-84%	Fail	N/A	\$0	(\$4,500,000)	-100%	Fail	N/A	\$0	(\$4,500,000)	-100%	Fail	N/A
4 Finch West	\$5,400,000	\$11,100,000	\$5,700,000	106%	Pass	\$7,500,000	(\$3,600,000)	-32%	Pass	Fail	\$3,800,000	(\$7,300,000)	-66%	Fail	N/A	\$0	(\$11,100,000)	-100%	Fail	N/A
5 Yonge Eglinton Centre	\$18,500,000	\$36,200,000	\$17,700,000	96%	Pass	\$28,300,000	(\$7,900,000)	-22%	Pass	Fail	\$20,500,000	(\$15,700,000)	-43%	Pass	Fail	\$12,500,000	(\$23,700,000)	-65%	Fail	N/A
6 North York Centre	\$20,900,000	\$48,700,000	\$27,800,000	133%	Pass	\$37,800,000	(\$10,900,000)	-22%	Pass	Fail	\$26,800,000	(\$21,900,000)	-45%	Pass	Fail	\$15,500,000	(\$33,200,000)	-68%	Fail	N/A
7 TO Core	\$35,800,000	\$97,300,000	\$61,500,000	172%	Pass	\$78,500,000	(\$18,800,000)	-19%	Pass	Fail	\$59,300,000	(\$38,000,000)	-39%	Pass	Fail	\$39,500,000	(\$57,800,000)	-59%	Pass	Fail
8 Toronto West	\$17,500,000	\$50,600,000	\$33,100,000	189%	Pass	\$40,700,000	(\$9,900,000)	-20%	Pass	Fail	\$30,700,000	(\$19,900,000)	-39%	Pass	Fail	\$20,400,000	(\$30,200,000)	-60%	Pass	Fail
9 Toronto East	\$3,100,000	\$6,300,000	\$3,200,000	103%	Pass	\$5,200,000	(\$1,100,000)	-17%	Pass	Fail	\$4,000,000	(\$2,300,000)	-37%	Pass	Fail	\$2,900,000	(\$3,400,000)	-54%	Fail	N/A
10 Golden Mile	\$8,400,000	\$25,300,000	\$16,900,000	201%	Pass	\$16,900,000	(\$8,400,000)	-33%	Pass	Fail	\$8,300,000	(\$17,000,000)	-67%	Fail	N/A	\$0	(\$25,300,000)	-100%	Fail	N/A
11 Scarborough Centre	\$4,100,000	\$12,300,000	\$8,200,000	200%	Pass	\$4,900,000	(\$7,400,000)	-60%	Pass	Fail	\$0	(\$12,300,000)	-100%	Fail	N/A	\$0	(\$12,300,000)	-100%	Fail	N/A

Table 13: Estimate of land value impacts, purpose built rental apartment building with affordable rental IZ units

Estimate of Land Value Impact of Inclusionary Zoning Policy																				
Purpose Built Rental Apartment Building with Affordable Rental IZ Units																				
Test Site	Pre Inclusionary Zoning Policy					Post Inclusionary Zoning Policy														
	(A) Value of Property As-Is	(B) Land Value Supported by Rezoning Before IZ Policy			(C) Land Value if 5% of GFA Rented at Below Market Rates				(D) Land Value if 10% of GFA Rented at Below Market Rates				(E) Land Value if 20% of GFA Rented at Below Market Rates							
		Land Value	Impact to Land Value [B - A]	Test 1 Land Value 10% Greater Than As-Is Value	Land Value	Impact to Land Value [C - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [D - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value	Land Value	Impact to Land Value [E - B]	Test 1 Land Value 10% Greater Than As-Is Value	Test 2 Less Than 15% Negative Impact to Land Value				
Total	Total	%	Total	Total	%	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total				
1 Etobicoke Centre	\$7,300,000	\$0	(\$7,300,000)	-100%	Fail	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A
2 Stockyards / Junction	\$10,300,000	\$16,200,000	\$5,900,000	57%	Pass	\$13,500,000	(\$2,700,000)	-17%	Pass	Fail	\$10,800,000	(\$5,400,000)	-33%	Fail	N/A	\$5,400,000	(\$10,800,000)	-67%	Fail	N/A
3 Weston	\$6,400,000	\$0	(\$6,400,000)	-100%	Fail	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A
4 Finch West	\$5,400,000	\$5,500,000	\$100,000	2%	Fail	\$4,000,000	(\$1,500,000)	-27%	Fail	N/A	\$2,400,000	(\$3,100,000)	-56%	Fail	N/A	\$0	(\$5,500,000)	-100%	Fail	N/A
5 Yonge Eglinton Centre	\$18,500,000	\$24,200,000	\$5,700,000	31%	Pass	\$20,700,000	(\$3,500,000)	-14%	Pass	Pass	\$17,200,000	(\$7,000,000)	-29%	Fail	N/A	\$10,200,000	(\$14,000,000)	-58%	Fail	N/A
6 North York Centre	\$20,900,000	\$20,100,000	(\$800,000)	-4%	Fail	\$15,700,000	(\$4,400,000)	-22%	Fail	N/A	\$11,300,000	(\$8,800,000)	-44%	Fail	N/A	\$1,800,000	(\$18,300,000)	-91%	Fail	N/A
7 TO Core	\$35,800,000	\$56,900,000	\$21,100,000	59%	Pass	\$48,400,000	(\$8,500,000)	-14%	Pass	Pass	\$39,800,000	(\$17,100,000)	-30%	Pass	Fail	\$22,800,000	(\$34,100,000)	-60%	Fail	N/A
8 Toronto West	\$17,500,000	\$39,900,000	\$22,400,000	128%	Pass	\$35,000,000	(\$4,900,000)	-12%	Pass	Pass	\$30,200,000	(\$9,700,000)	-24%	Pass	Fail	\$20,400,000	(\$19,500,000)	-49%	Pass	Fail
9 Toronto East	\$3,100,000	\$3,700,000	\$600,000	19%	Pass	\$3,300,000	(\$400,000)	-11%	Fail	N/A	\$2,900,000	(\$800,000)	-22%	Fail	N/A	\$2,000,000	(\$1,700,000)	-46%	Fail	N/A
10 Golden Mile	\$8,400,000	\$0	(\$8,400,000)	-100%	Fail	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A	\$0	\$0	0%	Fail	N/A
11 Scarborough Centre	\$4,100,000	\$3,500,000	(\$600,000)	-15%	Fail	\$0	(\$3,500,000)	-100%	Fail	N/A	\$0	(\$3,500,000)	-100%	Fail	N/A	\$0	(\$3,500,000)	-100%	Fail	N/A

The logo consists of the lowercase letters 'nblc' in a blue, serif font, centered within a white square. The letters are closely spaced and have a classic, slightly condensed appearance.

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