

### **Case 1: 1 Level Retail + 9 Levels of Non-Market Residential on a 75' x 120' Lot**

This case study assumes the first floor of the development is used for retail and the balance of the 10 storey concrete building is used to create housing for low-income urban singles paying GAIN Shelter monthly rent (\$375).

It is assumed that the 10 story building will occupy 70% of the site because of the need to set back for light, as well as for circulation etc. Beyond this, you need to allocate a percentage of the resulting building area for elevators, stairs, common hallways and common areas – here we assume the building is 70% space “efficient” (market condo point towers are about 86% efficient). At 400 ft<sup>2</sup> per residential unit, the project generates 99 units along with four 1,200 ft<sup>2</sup> commercial units at grade.

Other assumptions are set out in the spreadsheet. A key assumption is that the developer/society acquires the property based on existing zoning that allows lower Floor Space Ratio (FSR = amount of built area on all floors ÷ the site size), and subsequently rezones the site for more intensive non-market housing uses. This brings down the cost of land for each buildable ft<sup>2</sup>.

Note: For Rezoning, the City would normally seek Community Amenity Contributions (CACs) and Development Cost Levies (DCLs) in order to fund facilities and services needed by new residents. No DCCs or DCLs have been shown here but it's worth noting that this is a departure from policy. Should the development also fund other amenities for the community?

With respect to finance, an assumption is made that you have secured a lender who will fund the \$15M project over 40 years at 6% interest with no downpayment or equity.

Monthly operating costs are estimated. Generally, \$250/month is low for a housing development serving core need residents. This estimate is not based on “Supportive Housing” which has a higher level of staffing.

#### **Performance: DEFICIT**

Each non-market unit generates \$375/month in Revenue; however the “Economic Rent” on the non-market units is \$1,081 per month. Modest surplus from the retail operation offsets some of the non-market losses, but the overall project will generate a **deficit of \$796,137** in the first year of operations.

#### **Case 1b) Options: 4 Storey Wood Frame Over Concrete Retail Shell**

- Limit the development to 5 storeys and permit wood frame construction above the concrete construction retail shell (estimate Hard Construction Costs at \$210/ sf<sup>2</sup>). Economic Rent goes down to \$983 /month/unit.
- Reduce the size of the units to 300 sf<sup>2</sup>. 67 units are created; economic rent goes down to \$799/month/unit; **Annual deficit is \$286,216.**

**Performance: DEFICIT ... but getting better ... 50% lower deficit/unit**

**Case 2: Pure Non Market on a 75' x 120' Lot**

This model is like Case Study 1 but it deletes the commercial component in favour of a 100% non-market residential mix. It generates 110 residential units at 400 ft<sup>2</sup> each.

**Performance: DEFICIT**

Each non-market unit generates \$375/month in Revenue but the "Economic Rent" is \$1,081 per month. Without the modest surpluses from the retail ground floor, this project generates a **deficit of \$933,707** in the first year of operations.

**Case 3: Mixed Non-Market (80%); Affordable Rental (20%)**

This model mixes 400 ft<sup>2</sup> Non Market units with 550 ft<sup>2</sup> Affordable Rental units on an 80/20 ratio. A break-even "affordable" rental rate is \$2.44 per ft<sup>2</sup> per month; so a 550 ft<sup>2</sup> "affordable" rental unit would rent for \$1,342 / month and require a gross household income of \$53,680 in order to maintain shelter costs below 30%. Note: one reason the economic rent for the affordable rental is so high is that the project is 100% financed (the owner has no equity in the development).

**Performance: DEFICIT**

Each non-market unit generates \$375/month in Revenue but the "Economic Rent" is \$1,081/month. The Affordable Rental housing units do not generate enough revenue to offset the losses from the non-market mix. **The deficit in the first year of operations is projected at \$747,020.**

**Case 4: Mixed Non-Market (20%) and Market Rental (80%)**

This model mixes 400 ft<sup>2</sup> Non Market units with 600 ft<sup>2</sup> Market Rental units on a 20/80 basis. A total of 22 non market units and 59 market rental units would be created.

**Performance: DEFICIT (...but not as badly)**

To break even on the market rental, the owner needs to rent the Market Rental Units for \$2.41/ ft<sup>2</sup> per month. A 600 ft<sup>2</sup> market rental unit would rent for \$1,446/ month and require a gross household income of \$57,840 in order to maintain shelter costs below 30%. Note that these rental rates are higher than what the market will currently bear. **Overall, the project loses \$186,829 in its first year.**

**Q: What would the market rents have to rise to for the overall project to break even?**

**A:** \$2.85/ ft<sup>2</sup>/Month, or \$1,710/month for a 600 ft<sup>2</sup> unit (\$68,900 household income at 30% shelter). This rental rate would not be supported by the market.

**Case 5: Mixed Non-Market (28%) and Market Condominium (72%)**

This model assumes that the Community Development organization constructs and sells 75% of the building area as condominiums in order to generate sufficient equity so that the Non Market portion can be viable. 100% of the proceeds from the sale of 55 condominiums generate 28 viable non-market units.

Implicit is an assumption that there are no Community Amenity Contributions other than the housing in the rezoning of the site that would be required.

**Performance: Financially Viable (Organizationally?)**

The proceeds of the sale of the condominium units generate a 90% downpayment on the 28 non-market units. With little mortgage debt, the project generates a modest surplus in its first year of operation.

**Q: Do Community Development Corporations have capacity to plan/deliver this housing?**

This model assumes that the non-profit development entity can finance and take on the risk for designing, approving, constructing and marketing a \$25 million dollar project. Is this a realistic assumption?