

Impact of Inclusionary Zoning on Market Housing Prices & Homeowners



Project Size:	50 UNITS					150 UNITS					300 UNITS					450 UNITS				
	2%	3%	4%	5%		2%	3%	4%	5%		2%	3%	4%	5%		2%	3%	4%	5%	
Set-Aside Rate:	2%	3%	4%	5%		2%	3%	4%	5%		2%	3%	4%	5%		2%	3%	4%	5%	
Scenarios:																				
Baseline (Note 1)	\$9,063	\$9,063	\$13,969	\$13,969	\$7,562	\$5,746	\$7,562	\$10,690	\$12,672	\$5,217	\$7,692	\$10,033	\$12,658	\$5,067	\$7,202	\$9,849	\$12,592			
DC & Parkland Waiver (Note 2)	\$7,444	\$7,444	\$11,409	\$11,409	\$6,003	\$4,857	\$6,003	\$8,677	\$10,260	\$4,190	\$6,036	\$8,101	\$10,165	\$3,813	\$5,827	\$7,785	\$10,195			
10% Growing Together Upzoning (Note 3)	\$4,646	\$4,646	\$8,961	\$8,961	\$2,068	\$2,068	\$6,544	\$9,406	\$1,299	\$4,367	\$6,631	\$8,774	\$1,733	\$4,184	\$6,613	\$9,038				

Staff Recommendation: DC Waiver + Up-Zoning (10% assumed) (Note 4)

Number of Affordable Units Created	1					2					3					4					5				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5					
Total Cost of Affordable Units	\$262K	\$440K	\$660K	\$880K	\$1.32M	\$660K	\$660K	\$660K	\$660K	\$1.58M	\$2.46M	\$3.16M	\$3.82M	\$2.46M	\$2.46M	\$2.46M	\$2.46M	\$2.46M	\$2.46M	\$2.46M					
Average Cost Per Affordable Unit Delivered	\$262K	\$220K	\$220K	\$220K	\$220K	\$220K	\$220K	\$226K	\$225K	\$226K	\$224K	\$226K	\$225K	\$224K	\$224K	\$225K	\$225K	\$226K	\$225K	\$225K					
Impact to Price of Market Units in Project	\$797	\$3,097	\$6,581	\$1,273	\$3,278	\$6,581	\$6,581	\$4,682	\$7,024	\$942	\$2,630	\$4,704	\$6,447	\$1,059	\$2,733	\$4,711	\$6,622								
Total Cost to Homeowner (Notes)	\$1,184	\$4,602	\$9,779	\$1,892	\$4,871	\$9,779	\$9,779	\$6,957	\$10,437	\$1,400	\$3,908	\$6,990	\$9,580	\$1,574	\$4,061	\$7,000	\$9,840								

Notes & Model Assumptions:

- Note 1** Shown for the purposes as a benchmark indicator. This represents the estimated impact to average market housing prices without any policy intervention to mitigate the impacts of IZ on market housing prices. The value represents the estimated increase to market housing prices blended/averaged over 1 and 2 bedroom units (80%/20% respectively within project).
 - Note 2** The value represents the estimated increase to market housing prices assuming DCs and parkland dedication fees on affordable units are waived on all affordable units. DCs are calculated using the city of Kitchener municipal rates, and assume region (Dec 1, 2023 rates), municipality (Dec 1, 2023 rates), WCDSS and WRDSB (June 1, 2024 rates) DCs are all waived. Parkland dedication rates assumed at \$2000/unit.
 - Note 3** Assumes up-zoning of property provides a 10% increase in density to the project that is realizable. The value of the benefit is estimated by multiplying the land value per unit purchase price by the number of additional units gain in the project (10% of the original project size). In order for this benefit to be practical and realizable, the additional density would have to be practically and cost effectively buildable on the site beyond what would otherwise have been permitted under zoning conditions prior to IZ, factoring in that parking demand and constraints to construct parking is typically the limiting factor to increased density on a site, not zoning. Further, additional regulations included in the growing together framework must not impede on the benefit of the additional density through up-zoning (which they currently do).
 - Note 4** The values shown represent:
Total Cost of Affordable Units - This is the total cost to the project of delivering all of the required affordable housing units before accounting for any credits provided through policy. This is the TOTAL SOCIAL COST to providing the affordable housing units.
Average Cost Per Affordable Unit Delivered - This is the cost per unit of each affordable housing unit delivered in the project before accounting for any credits provided through policy.
Impact to Market Units in Project - This represents the estimated increase to market housing prices required to cover the NET cost of affordable housing units AFTER factoring in the benefit of IZ policies (waiver of DCs and parkland dedication fees on affordable units and assuming up-zoning provides a net benefit of a 10% increase to the density of the project).
 - Note 5** This value represents the total cost to the market unit homeowner factoring in the carrying cost of the increase to the purchase price of the unit. Mortgage is assumed to be amortized over 25 years and is based on the TD 5-year fixed mortgage rate as of March 2024 with 25% equity. The Monthly payment represents the increase to the monthly mortgage payment of the Homeowner over the life of their mortgage.
- General Assumptions:
 Project mix of unit sizes is 80% 1-bedroom and 20% 2-bedroom.
 Based on minimum viable profit margins of 10% on a 50 unit project, 12% on a 150 unit project and 15% on a 300 and 450 unit projects.
 Affordable rents are \$1346 for 1-bedroom and \$1658 for 2-bedroom.
 Market rents are \$2,100 for a 1-bedroom and \$2,550 for a 2-bedroom.
 Average 1-bedroom size is 530sq and 2-bedroom size is 720sq.
 Set-aside rate is applied against the saleable area in the project in order to calculate the number of affordable housing units to be provided in the project.