urban Metrics

2025 ADDENDUM: INCLUSIONARY ZONING MARKET FEASIBILITY STUDY

Hamilton, ON

Prepared for **the City of Hamilton**

April 30, 2025

urban Metrics

Hamilton

April 30, 2025

Melanie Pham
Community Planning Program Lead – Sustainable Communities
Planning and Economic Development
71 Main Street West, 4th Floor
Hamilton ON L8P 4Y5

Dear Melanie Pham:

RE: **2025 Addendum: Inclusionary Zoning Market Feasibility Study** (Hamilton, ON)

urbanMetrics inc. is pleased to submit this addendum to our Inclusionary Zoning Market Feasibility Study for the City. This addendum explores set-aside rates below 5% as well as density bonuses needed to offset IZ impacts, and updates market conditions to Q1 2025.

It was a pleasure to conduct this important assignment on behalf of the City of Hamilton.

Yours truly,
urbanMetrics inc.

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1.0 Executive Summary

In 2024, urbanMetrics ("we") provided the most recent version of the Inclusionary Zoning Market Feasibility Study for the City of Hamilton ("2024 Study"). This addendum to the 2024 Study includes three additional components. First, it updates several model parameters to their values as of February 2025. Second, it considers IZ set-aside rates between 0% (no Inclusionary Zoning) and 5%, in 0.5% increments. Third, for four test sites, it calculates the density increase needed to make the scenarios feasible at each level of set-aside rate between 0% and 5%. This addendum should be read in conjunction with the 2024 Study.

This addendum uses the same scenario parameters as in the 2024 Study, shown in Table 1-1.

Table 1-1: Scenario Parameters

Scenario	MTSA	Lot Size (K ft2)	Lot Cov.	Storeys	Resid. GFA (K ft2)	Comm. GFA (K ft2)	Parking Spaces	Units
1	McMaster	69	68%	4	138	14	98	195
2	Longwood	97	63%	4	161	42	114	228
3	Dundurn	13	83%	7	57	2	27	80
4	West Harbour	22	91%	7	98	7	46	139
5	Queen	34	85%	30	382	7	178	540
6	James/Downtown	97	72%	30	814	20	304	1,151
7	Scott Park	191	53%	7	550	27	389	778
8	Kenilworth	37	75%	7	131	8	92	185
9	Nash	92	68%	13	580	26	411	820
10	Confederation	228	27%	12	490	6	347	693

Findings

The results of pro-forma analyses for the set-aside rates under 5% are summarized in Table 1-2 for condominiums and Table 1-3 for rental apartments. The tables show the net income after land and profit for each development. This net income is calculated as the amount of revenues left over after paying for hard and soft construction costs, land costs, and the industry-recognized assumption of 15% pre-tax profit margin.

If the scenario has a positive net income after land and profit (shown in black figures), it is considered to be feasible to develop. If the scenario has a negative net income after land and profit (shown in red figures), it is considered not feasible for development at this time. However, the scenarios represent average developments. Different developers will face different construction and financing costs, may have different revenue expectations, and may require different levels of profit margin to go ahead with a project. These results are intended to reflect the general feasibility of developments, but the feasibility of specific developments may differ from these results.

The 0% set aside rate represents the baseline scenario whereby inclusionary zoning is not applied.

Table 1-2: Present Value of Net Income after Land and Profit of Condominium Scenarios

IZ Set-aside Rate	#	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
McMaster	1	4.5 M	4.2 M	4.0 M	3.7 M	3.5 M	3.2 M	3.0 M	2.7 M	2.4 M	2.2 M	1.9 M
Longwood	2	-0.3 M	-0.6 M	-0.9 M	-1.2 M	-1.5 M	-1.8 M	-2.1 M	-2.4 M	-2.7 M	-3.0 M	-3.3 M
Dundurn	3	0.0 M	-0.1 M	-0.2 M	-0.3 M	-0.4 M	-0.5 M	-0.6 M	-0.8 M	-0.9 M	-1.0 M	-1.1 M
West Harbour	4	0.7 M	0.5 M	0.3 M	0.1 M	-0.1 M	-0.3 M	-0.5 M	-0.7 M	-0.9 M	-1.0 M	-1.2 M
Queen	5	4.4 M	3.7 M	3.0 M	2.4 M	1.7 M	1.0 M	0.3 M	-0.4 M	-1.0 M	-1.7 M	-2.4 M
James/DT	6	7.1 M	5.9 M	4.6 M	3.3 M	2.0 M	0.8 M	-0.5 M	-1.8 M	-3.1 M	-4.3 M	-5.6 M
Scott Park	7	-22.6 M	-23.4 M	-24.2 M	-25.1 M	-25.9 M	-26.7 M	-27.5 M	-28.4 M	-29.2 M	-30.0 M	-30.9 M
Kenilworth	8	-6.6 M	-6.8 M	-7.0 M	-7.2 M	-7.5 M	-7.7 M	-7.9 M	-8.1 M	-8.3 M	-8.5 M	-8.8 M
Nash	9	-11.4 M	-12.3 M	-13.2 M	-14.1 M	-14.9 M	-15.8 M	-16.7 M	-17.6 M	-18.5 M	-19.3 M	-20.2 M
Confederation GO	10	-7.5 M	-8.3 M	-9.0 M	-9.8 M	-10.5 M	-11.2 M	-12.0 M	-12.7 M	-13.5 M	-14.2 M	-15.0 M

SOURCE: urbanMetrics inc.

Since the 2024 Study, market conditions for high-rise apartment development have worsened. While interest rates have fallen, construction costs have continued to increase, and housing prices and rents have been largely flat. Correspondingly, the feasibility of the scenarios has worsened, although the results are similar qualitatively.

For condominium scenarios, only the McMaster, Dundurn, West Harbour, Queen, and James/DT test sites were feasible without IZ. For other locations, it is likely that the scenarios would not be feasible for the average developer. In such an environment, it would be difficult for condominium development projects to proceed even without IZ.

These results are qualitatively similar to those from the 2024 Study, although the calculated residual land values declined slightly in every scenario. The largest qualitative difference was the Longwood scenario. That scenario was feasible without IZ in the 2024 Study, while it is no longer feasible with the updated parameters.

The McMaster scenario is the most feasible and remains feasible with 5% set-aside rates, as with the 2024 Study. In contrast, the Dundurn scenario is marginally feasible without IZ, but any amount of affordable housing required would render it infeasible. The West Harbour, Queen, and James/DT scenarios were also feasible, and could sustain set-aside rates between 1.5% and 3.0%.

For rental scenarios, none of the scenarios were feasible (See Table 1-3). As with the condominium scenario results, the rental scenario results are qualitatively similar to those in the 2024 Study, which also found that none of the rental scenarios were feasible. While interest rates have fallen since, which would ordinarily improve the feasibility of rental projects, it has been clear that the rent growth rate over the past two years has also fallen. Combined with higher construction costs, the feasibility of rental scenarios also worsened slightly. Current market conditions make it extremely difficult to build rental housing, even without the impacts of IZ.

Table 1-3: Present Value of Net Income after Land and Profit of Rental Scenarios

IZ Set-aside Rate	#	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
McMaster	1	-8.3 M	-8.3 M	-8.4 M	-8.5 M	-8.6 M	-8.7 M	-8.8 M	-8.9 M	-8.9 M	-9.0 M	-9.1 M
Longwood	2	-15.6 M	-15.7 M	-15.8 M	-15.9 M	-16.0 M	-16.1 M	-16.2 M	-16.3 M	-16.4 M	-16.5 M	-16.6 M
Dundurn	3	-5.8 M	-5.8 M	-5.8 M	-5.9 M	-5.9 M	-6.0 M	-6.0 M	-6.0 M	-6.1 M	-6.1 M	-6.1 M
West Harbour	4	-9.4 M	-9.4 M	-9.5 M	-9.5 M	-9.6 M	-9.7 M	-9.7 M	-9.8 M	-9.9 M	-9.9 M	-10.0 M
Queen	5	-31.8 M	-32.0 M	-32.2 M	-32.5 M	-32.7 M	-32.9 M	-33.2 M	-33.4 M	-33.7 M	-33.9 M	-34.1 M
James/DT	6	-59.1 M	-59.5 M	-60.0 M	-60.4 M	-60.9 M	-61.3 M	-61.8 M	-62.2 M	-62.7 M	-63.1 M	-63.6 M
Scott Park	7	-60.7 M	-61.0 M	-61.3 M	-61.5 M	-61.8 M	-62.1 M	-62.4 M	-62.7 M	-63.0 M	-63.3 M	-63.6 M
Kenilworth	8	-16.6 M	-16.6 M	-16.7 M	-16.8 M	-16.9 M	-16.9 M	-17.0 M	-17.1 M	-17.2 M	-17.2 M	-17.3 M
Nash	9	-55.0 M	-55.3 M	-55.6 M	-55.9 M	-56.2 M	-56.5 M	-56.8 M	-57.1 M	-57.4 M	-57.7 M	-58.0 M
Confederation GO	10	-44.3 M	-44.6 M	-44.8 M	-45.1 M	-45.3 M	-45.6 M	-45.9 M	-46.1 M	-46.4 M	-46.6 M	-46.9 M

This addendum further considers the additional density required to make projects feasible. This study takes a generous approach to the impact of increased density by assuming that the increase in density does not increase the cost per square foot of the building. This assumption would be more representative of a decrease in setbacks or angular plane requirements, compared to increases in height allowances which may increase construction costs per square foot. In many cases, the calculated increase in density needed may be large enough that they may only be achieved with significant increases in height, which may increase per-square feet costs. If that is the case, the calculated increase in density would underestimate the true increase in density needed to achieve feasibility.

Overall, we found that increases in height have limited ability to improve the feasibility of development scenarios. Where development was feasible or close to feasible, increases in density could allow for scenarios with IZ to become feasible. However, even in these scenarios, large increases in density may be required, and some of these increases in density may not be realistic. For scenarios which were further from feasibility, no amount of additional density would allow those scenarios to be feasible as the revenues generated by each unit were not sufficient to cover additional costs and the required profit margin.

Table 1-4 shows the additional density needed for the condominium scenarios to be feasible at set-aside rates from 0% to 5%. For the Kenilworth and Nash scenarios, no amount of additional density could make them feasible as per-unit revenues are not enough to cover construction costs and the profit margin.

Table 1-4: Additional Density Needed for Feasibility, Condominium Scenarios

Set-Aside Rate	#	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
Longwood	2	3%	5%	8%	10%	13%	16%	19%	22%	25%	29%	32%
Dundurn	3	0%	5%	11%	17%	24%	31%	40%	50%	62%	75%	91%
Kenilworth	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nash	9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SOURCE: urbanMetrics inc.

For the Longwood condominium scenario, modest amounts of additional density could be sufficient to sustain low levels of set-aside rates. Still, it would take approximately 32% additional density for this development to be feasible with a 5% set-aside rate. Since the baseline Longwood scenario has 228 units across 4 storeys, this would require approximately 73 additional units. Based on benchmark costing information from the Altus Cost Guide, it may be possible for this development to increase in height to 6 storeys without incurring significantly higher per-unit construction costs, so such an increase in density may be realistic. Still, these benchmark costs may not be granular enough to assess the impacts of small increases in height, so it may not be definitive that such an increase in density could be achievable on this site at the same per-unit costs.

The Dundurn scenario would require much more additional density to sustain even small set-aside rates. A 31% increase in density would be required to make this scenario feasible with a 2.5% set-aside rate, and a 91% increase in density would be required for a 5% set-aside rate. The baseline Dundurn scenario is a 7-storey development with 80 units. Based on the benchmark costs in the Altus Cost Guide, it may be possible to double the height of this development without significantly increasing per-unit construction costs (again, with the caveat that the benchmark costs may not be granular enough to reflect the additional costs from this height increase).

Overall, these results suggest that increases to density have limited potential to improve the feasibility of developments, especially with inclusionary zoning. In many cases, the per-unit revenues generated are not sufficient to cover the additional construction costs and profit margin. Additionally, because inclusionary zoning requirements reduce average per-unit revenues, the benefits of additional density would be further reduced as the set-aside rate increases. As such, the additional density needed to make inclusionary zoning feasible increases at greater rates as the set-aside rate increases.

Alternative approaches, such as policies to reduce hard and/or soft construction costs, may be needed to promote housing affordability. While a definitive examination of alternative policies is outside the scope of this report, we will provide some potential ideas for consideration at the end of this report.

2.0 Updated Parameters

The analysis in this addendum largely followed the methodology of the 2024 Study. Several parameters were updated from the 2024 Study to their values as of February 2025. These included the discount rate, affordable rents, rent growth rates, hard construction costs, and municipal fees and taxes. Other parameters in the analysis used remained unchanged from the 2024 Study.

2.1 Discount Rate

Interest rates on construction loans and commercial mortgages have fallen over the past year. This addendum uses a discount rate of 6.7% before and during construction, and 5.3% afterwards (down from 8.7% and 7.2%, respectively, in the original report).

2.2 Price and Rent Assumptions

By several indications, prices and rental rates in Hamilton have been largely unchanged or declined slightly over the past year. As such, the prices and rental rates of market-rate homes have not been changed.

Rental rates of affordable apartments have been updated to reflect the affordable apartment rates for the City of Hamilton as per the Province of Ontario *Development Charges Act, 1997* Bulletin as of April 2024. These rental rates are shown in Table 2-1.

Table 2-1: Affordable Price and Rent Per Unit Assumptions

	Rental
Studio	$1,017
1-Bedroom	$1,326
2-Bedroom	$1,543
3-Bedroom	$1,670

Unfortunately, the Bulletin provides only one sale price for affordable ownership units, not prices broken out by unit type. As such, we did not change affordable ownership sale prices from the 2024 Study for this addendum.

Due to the prolonged period of low rent growth rates, the rent growth rate assumptions have been revised downward to 2% for this addendum. This results in a derived cap rate of approximately 3.5%,

which is on the low end of the range of cap rates for multi-family residential in the Greater Toronto Area.[1]

2.3 Hard Construction Costs

Hard construction costs have been updated to their values from the 2024 Altus Cost Guide, as shown in Table 2-2. Other hard construction costs remained the same as in the 2024 Study.

Table 2-2: Benchmark Hard Construction Costs

	Unit	Value
Residential costs		
Up to 6 stories	$ per sf	$287.5
7-39 stories	$ per sf	$337.5
Parking costs		
Surface	$ per sf	$22.5
Above-ground garage	$ per sf	$175
Below-ground garage	$ per sf	$237.5
Below-ground garage, Central	$ per sf	$347.5

SOURCE: 2024 Altus Cost Guide

Like previous versions of the Altus Cost Guide, construction costs are higher for 7- to 39-storey condominium buildings than for condominium buildings up to 6 storeys. In this case, costs are approximately 15% less for the lower-height buildings.

2.4 Soft Construction Costs

The analysis in this addendum uses updated municipal fees and taxes as of February 2025, as detailed in Table 2-3. Other soft costs remained the same as in the 2024 Study.

[1] A lower capitalization rate increases the value of a building, so this would be a generous assumption on revenues generated by the developments.

Table 2-3: Benchmark Soft Construction Costs

	Unit	Value
Taxes		
Property tax rate for multi-residential	%	1.4239%
Property tax rate for commercial	%	3.3964%
Development charges		
Per studio and 1-bedroom, condominium	$ per unit	$35,024
Per 2-bedroom and 3-bedroom, condominium	$ per unit	$54,413
Per studio and 1-bedroom, rental	$ per unit	$29,770
Per 2-bedroom, rental	$ per unit	$43,530
Per 3-bedroom, rental	$ per unit	$40,810
Per affordable unit	$ per unit	$3,412
Per sq. ft. commercial	$ per sf	$38.03
Site Plan Approval		
Total Residential SPA cost	$	$48,320
Commercial SPA cost per square metre	$	$10
Plan of Condominium		
Total base cost	$	$21,915
Add'l per-unit charge	$ per unit	$95

3.0 Results

With the updated parameters, we considered the feasibility of development on the test sites for set-aside rates between 0% and 5%, in increments of 0.5%. This analysis was done separately for condominium and rental scenarios.

For four test sites, we conducted a further analysis to determine what level of density increase would be needed to make the scenarios feasible for each level of set-aside rate between 0% and 5%.

Additionally, four test sites were chosen for an in-depth analysis of how much additional density would be required for the proposed development to break even. These four test sites were Longwood, Dundurn, Kenilworth, and Nash. These test sites were chosen as worst case scenarios, with these sites being the least viable test sites on a per-unit basis for their respective regions.

3.1 Condominium Scenarios

Table 3-1 shows the present value of income after land and profit for the condominium scenarios. The McMaster scenario is the most feasible of the scenarios, being able to sustain set-aside rates above 5%. On the other hand, the Dundurn scenario is marginally feasible without inclusionary zoning and becomes infeasible with any level of affordable housing requirement. The West Harbour, James/DT, and Queen scenarios are feasible without inclusionary zoning and can sustain set-aside rates between 1.5% and 3%.

Table 3-1: Present Value of Income after Land and Profit of Condominium Scenarios

IZ Set-aside Rate	#	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
McMaster	1	4.5 M	4.2 M	4.0 M	3.7 M	3.5 M	3.2 M	3.0 M	2.7 M	2.4 M	2.2 M	1.9 M
Longwood	2	-0.3 M	-0.6 M	-0.9 M	-1.2 M	-1.5 M	-1.8 M	-2.1 M	-2.4 M	-2.7 M	-3.0 M	-3.3 M
Dundurn	3	0.0 M	-0.1 M	-0.2 M	-0.3 M	-0.4 M	-0.5 M	-0.6 M	-0.8 M	-0.9 M	-1.0 M	-1.1 M
West Harbour	4	0.7 M	0.5 M	0.3 M	0.1 M	-0.1 M	-0.3 M	-0.5 M	-0.7 M	-0.9 M	-1.0 M	-1.2 M
Queen	5	4.4 M	3.7 M	3.0 M	2.4 M	1.7 M	1.0 M	0.3 M	-0.4 M	-1.0 M	-1.7 M	-2.4 M
James/DT	6	7.1 M	5.9 M	4.6 M	3.3 M	2.0 M	0.8 M	-0.5 M	-1.8 M	-3.1 M	-4.3 M	-5.6 M
Scott Park	7	-22.6 M	-23.4 M	-24.2 M	-25.1 M	-25.9 M	-26.7 M	-27.5 M	-28.4 M	-29.2 M	-30.0 M	-30.9 M
Kenilworth	8	-6.6 M	-6.8 M	-7.0 M	-7.2 M	-7.5 M	-7.7 M	-7.9 M	-8.1 M	-8.3 M	-8.5 M	-8.8 M
Nash	9	-11.4 M	-12.3 M	-13.2 M	-14.1 M	-14.9 M	-15.8 M	-16.7 M	-17.6 M	-18.5 M	-19.3 M	-20.2 M
Confederation GO	10	-7.5 M	-8.3 M	-9.0 M	-9.8 M	-10.5 M	-11.2 M	-12.0 M	-12.7 M	-13.5 M	-14.2 M	-15.0 M

These results are qualitatively similar to those in the 2024 Study. The main difference was the Longwood scenario was feasible in the 2024 Study without inclusionary zoning, while it has become unfeasible with the updated parameters.

We then considered the density bonuses required to make the Longwood, Dundurn, Kenilworth, and Nash condominium scenarios feasible (see Table 3-2). The Kenilworth and Nash developments do not generate sufficient revenues to cover construction costs on a per-unit basis, so additional density bonuses cannot make those scenarios feasible.

Table 3-2: Additional Density Needed for Feasibility, Condominium Scenarios

Set-Aside Rate	#	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
Longwood	2	3%	5%	8%	10%	13%	16%	19%	22%	25%	29%	32%
Dundurn	3	0%	5%	11%	17%	24%	31%	40%	50%	62%	75%	91%
Kenilworth	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nash	9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

For the Longwood and Dundurn scenarios, they can become feasible and sustain higher levels of inclusionary zoning set-aside rates with density bonuses (see Table 3-2). For both scenarios, as the set-aside rate gets higher, the increase in the density bonus needed increases, rather than staying at a constant linear rate. This is because a higher set-aside rate reduces the average revenues generated per unit.

When interpreting these results, it must be considered whether these calculated increases in density are possible. Notably, the density bonuses considered are assumed to not increase the construction costs per square foot. This would be a reasonable assumption for increases in lot coverage, reductions in setbacks and angular plane requirements, and/or modest increases in density that do not require changes in construction methods. On the other hand, significant increases in height can increase construction costs through requiring costlier construction methods and the time to complete construction.

For Longwood, a 32% density bonus would be able to sustain set-aside rates as high as 5%. The Longwood scenario has 228 units across 4 storeys, so an increase in density of 32% would represent approximately 73 additional units. The Altus Cost Guide, the source used for hard construction costs, reports a single cost for condominium buildings six storeys and under, so it may be possible for this development to increase in height to 6 storeys without incurring significantly higher per-unit construction costs. However, there is still the possibility that such an increase in density could increase the per-unit costs, especially since the Altus Cost Guide is meant for high-level cost benchmarking and may not be intended for detailed comparisons of buildings with similar heights. In that case, this calculation would overstate the feasibility of the density increase.

For the Dundurn scenario, a 31% density bonus would be sufficient to sustain a 2.5% set-aside rate while a 91% increase in density would be required for a 5% set-aside rate. The Dundurn scenario is a 7-storey building with 80 units. The Altus Cost Guide reports the same benchmark costs for 7 storeys as for 14 storey buildings, so it may be possible to double the density without increasing per-unit costs (again, with the caveat of the limits of the Altus Cost Guide for this comparison).

3.2 Rental Scenarios

Table 3-3 shows the residual land values for the rental scenarios. As with the findings of the 2024 Study, none of the scenarios were feasible even without inclusionary zoning requirements.

Table 3-3: Present Value of Income after Land and Profit of Rental Scenarios

IZ Set-aside Rate	#	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
McMaster	1	-8.3 M	-8.3 M	-8.4 M	-8.5 M	-8.6 M	-8.7 M	-8.8 M	-8.9 M	-8.9 M	-9.0 M	-9.1 M
Longwood	2	-15.6 M	-15.7 M	-15.8 M	-15.9 M	-16.0 M	-16.1 M	-16.2 M	-16.3 M	-16.4 M	-16.5 M	-16.6 M
Dundurn	3	-5.8 M	-5.8 M	-5.8 M	-5.9 M	-5.9 M	-6.0 M	-6.0 M	-6.0 M	-6.1 M	-6.1 M	-6.1 M
West Harbour	4	-9.4 M	-9.4 M	-9.5 M	-9.5 M	-9.6 M	-9.7 M	-9.7 M	-9.8 M	-9.9 M	-9.9 M	-10.0 M
Queen	5	-31.8 M	-32.0 M	-32.2 M	-32.5 M	-32.7 M	-32.9 M	-33.2 M	-33.4 M	-33.7 M	-33.9 M	-34.1 M
James/DT	6	-59.1 M	-59.5 M	-60.0 M	-60.4 M	-60.9 M	-61.3 M	-61.8 M	-62.2 M	-62.7 M	-63.1 M	-63.6 M
Scott Park	7	-60.7 M	-61.0 M	-61.3 M	-61.5 M	-61.8 M	-62.1 M	-62.4 M	-62.7 M	-63.0 M	-63.3 M	-63.6 M
Kenilworth	8	-16.6 M	-16.6 M	-16.7 M	-16.8 M	-16.9 M	-16.9 M	-17.0 M	-17.1 M	-17.2 M	-17.2 M	-17.3 M
Nash	9	-55.0 M	-55.3 M	-55.6 M	-55.9 M	-56.2 M	-56.5 M	-56.8 M	-57.1 M	-57.4 M	-57.7 M	-58.0 M
Confederation GO	10	-44.3 M	-44.6 M	-44.8 M	-45.1 M	-45.3 M	-45.6 M	-45.9 M	-46.1 M	-46.4 M	-46.6 M	-46.9 M

Density bonuses cannot make the Longwood, Dundurn, Kenilworth, or Nash scenarios feasible. The revenues generated from each unit were not enough to cover the per-unit construction costs.

4.0 Conclusions

We updated the analysis of the 2024 Study, primarily considering the feasibility of inclusionary zoning with set-aside rates between 0.5% and 5%. We found that none of the rental scenarios were feasible even without Inclusionary Zoning. For the condominium scenarios, the McMaster scenario was viable at set-aside rates over 5%, the Dundurn scenario was feasible only without Inclusionary Zoning, and the West Harbour, Queen, and James/DT scenarios could sustain set-aside rates ranging from 1.5% to 3%.

We also considered the additional density that would be required to make development scenarios feasible. We found that this tool had limited potential to make rental projects feasible. None of the rental scenarios, as well as the Kenilworth and Nash condominium scenarios, could achieve feasibility through density bonusing. For the Longwood and Dundurn scenarios where density bonuses could be effective, large increases in density would be required to sustain modest levels of set-aside rates for affordable housing.

Overall, this analysis confirms the finding from the 2024 Study that current conditions are challenging for housing development. Unfortunately, while increasing density allowances may be helpful in certain circumstances, it is not a silver bullet to making all development scenarios feasible, especially with Inclusionary Zoning.

Discussion of Other Policy Options

This addendum considers just the impact of additional density on the feasibility of residential scenarios. It does not conduct a detailed analysis on other housing-related policies. However, it was requested that we discuss some other policies which could potentially improve the feasibility of residential construction in Hamilton.

It is a natural reaction for municipalities to consider monetary incentives to incentivize housing construction. This can be important and effective in some cases. However, municipal budgets are limited and the incentives needed to make residential construction feasible can be large. As such, it may be more important to consider policies which improve the feasibility of housing construction that do not directly impact municipal budgets.

Policies which reduce construction costs would improve the feasibility of housing development. Municipalities may have several options to help reduce construction costs. They have direct control over soft costs such as development charges, planning fees, and taxes. While these can impact municipal budgets, certain fees and charges (e.g., development charges, parkland dedication) are reserved for specific purposes outside of the general municipal budget. The City may consider the trade-offs of potentially reducing some of these fees to increase the feasibility of housing development.

Municipalities also have control over approval timelines and the risk in the approval process. Decreasing approval timelines would directly decrease financing costs. Reduced approval timelines

and increasing the likelihood that development applications would be approved reduce the risk of development projects. Investors require higher returns from riskier investments, so these policies would reduce the expected return on investment and profit margins needed for development projects to go forward.

Municipalities cannot directly control labour and material costs, but various policies can potentially reduce the hard construction costs of housing. For example, reducing parking minimums (already under review in Hamilton) and amenity ratios would reduce per-unit construction costs.

Additionally, policies such as shadow and wind guidelines, design guidelines (e.g., floorplate restrictions), accessibility standards, and green building standards can impact construction costs. These guidelines and standards all provide important benefits but also increase the costs of building more homes. To our knowledge, no cost-benefit analysis has been conducted to consider to how these benefits should be weighed against the benefits of increased availability of housing,[2] and planning and land use policies often do not explicitly weigh these trade-offs when prescribing various requirements. It is likely that these guidelines and standards should not be completely eliminated, but it is also likely that there may be opportunities to be more permissive towards housing construction while still preserving the most important benefits from these guidelines and standards.

Land use policies can also potentially affect hard construction costs by affecting the supply of land available for multifamily residential buildings. Low-rise buildings (e.g., buildings 6 storeys and under) tend to be less costly per square foot than high-rise buildings, with 6-storey wood frame residential buildings being approximately 15% less costly to build than 7- to 39-storey apartments. Because low-rise buildings require much more land for the same number of housing units compared to high-rise buildings, construction costs may decrease if sufficient land can be made available to meet housing demand through low-rise buildings. Broad-based upzoning would likely be required to achieve this outcome, as land costs would likely rise to offset such benefits if insufficient land was made available for these housing types and housing remains in short supply.

As an example, in February 2025, the City of Cambridge, Massachusetts implemented broad-based upzoning to legalize low-rise apartments across the city. Four-storey buildings would be allowed as-of-right on all lots. Six-storey buildings would be allowed as-of-right on lots of 5,000 square feet or more if 20% of the building is set aside as affordable housing. It is still too early to tell what the impacts of this up-zoning are, but this example indicates such policies are possible in North America.

Overall, housing development is a relatively competitive market. There are many housing developers, and barriers to entry are relatively low. In such market environments, it is likely that the price of

[2] A formal cost-benefit analysis may not be required, and cost-benefit analyses often have many degrees of freedom so their findings often must be evaluated carefully. However, it is unclear if the costs and benefits of these policies have been considered on even an informal basis. A more explicit consideration of these costs and benefits can improve transparency for the community, provide greater certainty for developers, and make it easier for municipal staff and councilors to evaluate development applications.

homes would trend towards the marginal cost of building homes. If housing is expensive to purchase and rent, it is likely because housing is expensive to build. A comprehensive review of policies which impact the cost of housing construction could find many opportunities or low-hanging fruit to reduce housing costs with relatively low trade-offs.