

# Attachment-3 Guelph Feasibility Assessment

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## Technical Memorandum

To	Justine Giancola, Cushla Matthews, Brenna MacKinnon, and Dawson McKenzie
From	Erik Karvinen and Gisele Sarbandi
Date	March 12, 2025
Re:	Residential Development Feasibility Assessment and Sensitivity Analysis for Guelph Community Planning Permit System (C.P.P.S.) – Draft Findings

Fax ☐

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Watson & Associates Economists Ltd. (Watson) was retained by the City of Guelph to conduct a Residential Development Feasibility Assessment and Sensitivity Analysis to support the City's Community Planning Permit (C.P.P.) By-law for the Stone Road/Edinburgh Road area. The study aims to assist the City in identifying a proportionate relationship between affordable housing and increased height and density within the planning framework. The regulations provide that the by-law needs to establish a proportional relationship between the quantity or monetary value of the facilities, service and matters that may be required and the height of density of development that may be allowed.

The project involves assessing two development sites built out to different heights and densities in the South Guelph Strategic Growth Area (S.G.A.), specifically at Stone Road and Edinburgh Road:

- **Scenario 1a:** Mixed-Use Corridor (ownership) developed to the maximum density permitted under the current zoning by-law (six storeys and 150 units/hectare).
- **Scenario 1b:** Mixed-Use Corridor (ownership) developed to the maximum height outlined in the Official Plan (14 storeys and 250 units/hectare).
- **Scenario 2a:** High-Density Residential (ownership) developed to the maximum density permitted under the existing zoning by-law (10 storeys and 150 units/hectare).
- **Scenario 2b:** High-Density Residential (ownership) developed to a maximum height of 14 storeys and 250 units/hectare.

As part of this analysis, Watson is providing a detailed examination of the potential market feasibility (based on typical local development costs and revenues) associated with the development scenarios identified. This assignment is intended to evaluate and

2233 Argentia Rd.  
Suite 301  
Mississauga, Ontario  
L5N 2X7

Office: 905-272-3600  
Fax: 905-272-3602  
[www.watsonecon.ca](http://www.watsonecon.ca)



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test the financial viability of the proposed developments in order to identify the proportional relationship between increased height and density and affordable housing, within the context of the local policy planning framework.

The following summarizes draft findings to date based on the pro forma analyses of condominium developments for Scenario 1 and Scenario 2.

### **Development Parameters**

In consultation with City staff, development scenarios for each scenario were prepared:

#### **South Guelph S.G.A. (Stone Road and Edinburgh Road):**

- **Scenario 1a:** 6-storey condominium with retail on the first floor and surface parking.
- **Scenario 1b:** 14-storey condominium with retail on the first floor and surface parking.
- **Scenario 2a:** 10-storey condominium with surface parking.
- **Scenario 2b:** 14-storey condominium with surface parking.

To test the feasibility of including affordable units in Scenario 1b and Scenario 2b, the following alternative scenarios were examined:

- **Scenario 1c:** 14-storey condominium with first-floor retail and surface parking, with provision for affordable units, that provides an internal rate of return (I.R.R.) equal to Scenario 1a.
- **Scenario 2c:** 14-storey condominium with surface parking, including affordable units, with provision for affordable units, that provides an I.R.R. equal to Scenario 2a.

These scenarios represent variations of condominium developments in the South Guelph S.G.A., differing in height and the inclusion of affordable housing units, while maintaining consistent building forms and surface parking layouts.

The development parameters and characteristics of the project scenarios are summarized in Figure 1 and Figure 2. The revenue streams and development cost assumptions are discussed below, along with return on investment findings.



Figure 1  
City of Guelph

Development Parameters of Condominium Developments in the South Guelph S.G.A. (Stone Road and Edinburgh Road)

Info	Scenario 1a			Scenario 1b			Scenario 1c			
Development Type	Condominium with First Floor Retail			Condominium with First Floor Retail			Condominium with First Floor Retail			
Parcel Size (Hectares)	0.43			0.43			0.43			
Building Height	6			14			14			
Building G.F.A.	62,629			116,359			116,359			
F.S.I.	1.35			2.51			2.51			
Density per Hectare	151			251			251			
Units by Type	Market Units (#)	Share (%)	Unit Size (sq.ft.)	Market Units (#)	Share (%)	Unit Size (sq.ft.)	Market Units (#)	Affordable Units (#)	Share (%)	Unit Size (sq.ft.)
Bachelor	21	32%	473	11	10%	473	9	2	10%	473
1 Bedroom	12	18%	580	20	19%	580	16	4	19%	580
1 Bedroom + Den	16	25%	670	26	24%	670	21	5	24%	670
2 Bedroom	14	22%	895	23	21%	895	18	5	21%	895
2 Bedroom + Den	-	0%	1,045	17	16%	1,045	14	3	16%	1,045
3 Bedroom	2	3%	1,329	11	10%	1,329	9	2	10%	1,329
Total Units	65	100%		108	100%		87	21	100%	
Locker	55			92			92			
Parking Type	Surface			Surface			Surface			
Parking Space	83	Parking Ratio		130	Parking Ratio		130	Parking Ratio		
Residential	65	1.00		108	1.00		108	1.00		
Visitor	7	0.10		11	0.10		11	0.10		
Retail	11			11			11			
Parking Ratio (Incl. Visitor Parking)	1.1			1.1			1.1			
Retail/Office G.F.A. (sq.ft.)	12,275			12,275			12,275			
Residential G.F.A. (sq.ft.)	50,354			104,084			104,084			
Retail/Office G.L.A. (sq.ft.)	9,207			9,207			9,207			
Residential G.L.A. (sq.ft.)	42,801			87,194			87,194			
Building G.L.A. Estimate	52,008			96,400			96,400			
Building G.L.A. to G.F.A. Ratio	83%			83%			83%			

Notes: Numbers may not add due to rounding. Definitions: S.G.A. means Strategic Growth Area; G.F.A. means gross floor area; F.S.I. means floor space index; G.L.A. means gross leasable area.

Source: Watson & Associates Economists Ltd., 2025.



Figure 2  
City of Guelph

Development Parameters of Condominium Developments in the South Guelph S.G.A. (Stone Road and Edinburgh Road)

Info	Scenario 2a			Scenario 2b			Scenario 2c			
Development Type	Condominium			Condominium			Condominium			
Parcel Size (Hectares)	0.55			0.55			0.55			
Building Height	10			14			14			
Building G.F.A.	80,000			112,000			112,000			
F.S.I.	1.35			1.89			1.89			
Density per Hectare	151			249			249			
Units by Type	Market Units (#)	Share (%)	Unit Size (sq.ft.)	Market Units (#)	Share (%)	Unit Size (sq.ft.)	Market Units (#)	Affordable Units (#)	Share (%)	Unit Size (sq.ft.)
Bachelor	8	10%	473	14	10%	473	11	3	10%	473
1 Bedroom	15	18%	580	25	18%	580	20	5	18%	580
1 Bedroom + Den	20	24%	670	33	24%	650	27	6	24%	650
2 Bedroom	18	22%	895	29	21%	710	23	6	21%	710
2 Bedroom + Den	13	16%	987	22	16%	746	18	4	16%	746
3 Bedroom	9	11%	1,255	14	10%	949	11	3	10%	949
Total Units	83	100%		137	100%		110	27	100%	
Locker	71			116			116			
Parking Type	Surface			Surface			Surface			
Parking Space	91	Parking Ratio		151	Parking Ratio		151	Parking Ratio		
Residential	83	1.00		137	1.00		137	1.00		
Visitor	8	0.10		14	0.10		14	0.10		
Retail	0			0			0			
Parking Ratio (Incl. Visitor Parking)	1.1			1.1			1.1			
Retail/Office G.F.A. (sq.ft.)	-			-			-			
Residential G.F.A. (sq.ft.)	80,000			112,000			112,000			
Retail/Office G.L.A. (sq.ft.)	-			-			-			
Residential G.L.A. (sq.ft.)	66,128			92,862			92,862			
Building G.L.A. Estimate	66,128			92,862			92,862			
Building G.L.A. to G.F.A. Ratio	83%			83%			83%			

Notes: Numbers may not add due to rounding. Definitions: S.G.A. means Strategic Growth Area; G.F.A. means gross floor area; F.S.I means floor space index; G.L.A. means gross leasable area.

Source: Watson & Associates Economists Ltd., 2025.



## **Development Scenarios' Financial Analysis**

The economic viability and investment potential of the proposed development scenarios identified above are examined herein through a residential pro forma model. This is presented through the assessment of the cost of development, operating costs of the various development scenarios, the potential revenue streams, and the return on investment (R.O.I.), as outlined below.<sup>[1]</sup> For each development scenario, a 25-year cash flow was prepared to assess financial viability.

The varying development scenarios provide the basis for a sensitivity analysis where the market impact of potential changes in the planning framework on market feasibility can be assessed.

This financial assessment was prepared through a private-sector developer lens, utilizing an R.O.I. analysis and an estimate of I.R.R. and net present value (N.P.V.) assuming an industry average discount rate. The following provides a summary of the pro forma analysis.

### **Potential Revenue Assumptions**

The residential revenue generation potential by building space type is illustrated in Figure 3 and Figure 4.

The condominium scenarios assume high-quality new construction with modern amenities, which are anticipated to achieve relatively high sales premiums. Based on an analysis of recent condominium developments in Guelph, estimated base year rents and sales prices for each unit type were derived for the prototype developments.

For condominium development scenarios (Scenarios 1a, 1b, and 1c), it is assumed that residential market units will be offered for sale within the following price ranges:

- South Guelph SGA (Stone & Edinburgh): \$704 to \$926 per sq.ft.

For condominium development scenarios (Scenarios 2a, 2b, and 2c), it is assumed that residential market units will be offered for sale within the following price ranges:

- South Guelph SGA (Stone & Edinburgh): \$726 to \$926 per sq.ft.

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<sup>[1]</sup> The cost of development, operating costs, and revenue streams are based on data derived from developments of similar typology within the local market. The actual developer cost variables and revenue generation may differ.

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The purchase prices for all units include both a parking space and a locker. In Scenario 1c and Scenario 2c, affordable residential units are assumed to be offered for sale at a fixed price of \$398,800.<sup>[2]</sup>

Figure 3  
City of Guelph  
Market Sale Price Assumptions for Condominium Residential Units by Unit Size

Units by Type	Scenario 1a			Scenario 1b			Scenario 1c			
	Unit Size (sq.ft.)	Sale Price	Price/ sq.ft.	Unit Size (sq.ft.)	Sale Price	Price/ sq.ft.	Unit Size (sq.ft.)	Sale Price	Affordable Units Price	Price/ sq.ft.
Bachelor	473	\$424,694	\$898	473	\$437,829	\$926	473	\$437,829	\$398,800	\$926
1 Bedroom	580	\$510,556	\$880	580	\$526,346	\$907	580	\$526,346	\$398,800	\$907
1 Bedroom + Den	670	\$581,537	\$868	670	\$599,522	\$895	670	\$599,522	\$398,800	\$895
2 Bedroom	895	\$705,245	\$788	895	\$727,057	\$812	895	\$727,057	\$398,800	\$812
2 Bedroom + Den	1,045	\$736,036	\$704	1,045	\$758,800	\$726	1,045	\$758,800	\$398,800	\$726
3 Bedroom	1,329	\$935,989	\$704	1,329	\$964,937	\$726	1,329	\$964,937	\$398,800	\$726

Source: Watson & Associates Economists Ltd., 2025.

Figure 4  
City of Guelph  
Market Sale Price Assumptions for Condominium Residential Units by Unit Size

Units by Type	Scenario 2a			Scenario 2b			Scenario 2c			
	Unit Size (sq.ft.)	Sale Price	Price/ sq.ft.	Unit Size (sq.ft.)	Sale Price	Price/ sq.ft.	Unit Size (sq.ft.)	Sale Price	Affordable Units Price	Price/ sq.ft.
Bachelor	473	\$437,829	\$926	473	\$437,829	\$926	473	\$437,829	\$398,800	\$926
1 Bedroom	580	\$526,346	\$907	580	\$526,346	\$907	580	\$526,346	\$398,800	\$907
1 Bedroom + Den	670	\$599,522	\$895	650	\$581,626	\$895	650	\$581,626	\$398,800	\$895
2 Bedroom	895	\$727,057	\$812	710	\$576,771	\$812	710	\$576,771	\$398,800	\$812
2 Bedroom + Den	987	\$716,834	\$726	746	\$541,771	\$726	746	\$541,771	\$398,800	\$726
3 Bedroom	1,255	\$911,570	\$726	949	\$688,949	\$726	949	\$688,949	\$398,800	\$726

Source: Watson & Associates Economists Ltd., 2025.

Development Costs

The development scenarios are subject to an assessment of total development cost by using various cost component inputs, as identified below:

- Land Cost – based on market value from a survey of recent sales transactions, existing real-estate listings, Altus Data, and MPAC property value assessments within the perimeter of the subject site.

<sup>[2]</sup> Province of Ontario. (2024). *Affordable residential units for the purposes of the development charges*.



- Construction Costs – reflects hard construction costs (e.g., materials, labour) and soft costs (e.g., engineering, consulting services), based on local data.<sup>[3]</sup>
- Development Charges – on a per unit basis, as per the current municipal development charge schedules.
- Parkland Dedication – cash in lieu of parkland dedication on a sq.ft. basis as per the average of area municipal by-laws and calculated at the market price of land.
- Building Permit Fees – on a sq.ft. basis as per local by-laws.
- Planning Fees – including charges for Zoning By-law Amendments, Official Plan Amendments, Plan of Condominium applications, and Site Plan Control applications.
- Site Preparation – reflects demolition and other various costs related to the preparation of a site which may be required.
- Complete Community Charge as per City of Guelph's by-law.

In accordance with the development cost assumptions above and the development parameters identified in Figure 3 and Figure 4, the total development costs of the condominium scenarios are summarized in Figure 5 and Figure 6. As shown:

#### **South Guelph S.G.A. (Stone Road and Edinburgh Road):**

- **Scenario 1a:** 6-storey condominium – \$29.5 million, with 68% construction costs, 15% land costs, and 17% for other fees.
- **Scenario 1b:** 14-storey condominium – \$53.0 million, with 78% construction costs, 8% land costs, and 14% for other fees.
- **Scenario 1c:** 14-storey condominium with affordable units – \$52.1 million, with 79% construction costs, 8% land costs, and 13% for other fees.
- **Scenario 2a:** 10-storey condominium – \$40.5 million, with 70% construction costs, 13% land costs, and 17% for other fees.
- **Scenario 2b:** 14-storey condominium – \$55.0 million, with 74% construction costs, 10% land costs, and 16% for other fees.
- **Scenario 2c:** 14-storey condominium with affordable units – \$53.9 million, with 75% construction costs, 10% land costs, and 15% for other fees.

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<sup>[3]</sup> The analysis contained herein has assumed conventional building materials and methods utilizing concrete in the construction cost for all Scenarios. Building construction cost data derived from RSMeans 2024 Construction Cost data and reflects pre-cast concrete construction of a mid-rise to high-rise apartment building.





Figure 5  
City of Guelph  
Prototypical Condominium Developments – Total Development Costs – South Guelph  
S.G.A. (Stone Road and Edinburgh Road)

Type of Cost	Scenario 1a		Scenario 1b		Scenario 1c	
	\$ (Millions)	(%)	\$ (Millions)	(%)	\$ (Millions)	(%)
Land Cost	\$4.3	15%	\$4.3	8%	\$4.3	8%
Construction Costs	\$20.1	68%	\$41.2	78%	\$41.2	79%
Planning Fees	\$0.1	<1%	\$0.1	<1%	\$0.1	<1%
Development Charges	\$2.6	9%	\$4.3	8%	\$3.0	7%
Building Permit Fees	\$0.1	<1%	\$0.2	<1%	\$0.2	<1%
Parkland Dedication	\$1.0	4%	\$1.2	2%	\$1.1	2%
Community Benefit Charge	\$0.1	<1%	\$0.1	<1%	\$0.1	<1%
Site Preparation	\$0.6	2%	\$0.6	1%	\$0.6	1%
Contingency	\$0.6	2%	\$1.0	2%	\$1.0	2%
<b>Total</b>	<b>\$29.5</b>	<b>100%</b>	<b>\$53.0</b>	<b>100%</b>	<b>\$52.1</b>	<b>100%</b>

Notes: Numbers may not add due to rounding. Definitions: S.G.A. means Strategic Growth Area.

Source: Watson & Associates Economists Ltd., 2025.

Figure 6  
City of Guelph  
Prototypical Condominium Developments – Total Development Costs – South Guelph  
S.G.A. (Stone Road and Edinburgh Road)

Type of Cost	Scenario 2a		Scenario 2b		Scenario 2c	
	\$ (Millions)	(%)	\$ (Millions)	(%)	\$ (Millions)	(%)
Land Cost	\$5.5	13%	\$5.5	10%	\$5.5	10%
Construction Costs	\$28.4	70%	\$40.6	74%	\$40.6	75%
Planning Fees	\$0.1	<1%	\$0.1	<1%	\$0.1	<1%
Development Charges	\$3.1	8%	\$5.0	9%	\$4.1	8%
Building Permit Fees	\$0.2	<1%	\$0.2	<1%	\$0.2	<1%
Parkland Dedication	\$1.6	4%	\$1.6	3%	\$1.5	3%
Community Benefit Charge	\$0.1	<1%	\$0.1	<1%	\$0.1	<1%
Site Preparation	\$0.7	2%	\$0.7	1%	\$0.7	1%
Contingency	\$0.8	2%	\$1.1	2%	\$1.1	2%
<b>Total</b>	<b>\$40.5</b>	<b>100%</b>	<b>\$55.0</b>	<b>100%</b>	<b>\$53.9</b>	<b>100%</b>

Notes: Numbers may not add due to rounding. Definitions: S.G.A. means Strategic Growth Area.

Source: Watson & Associates Economists Ltd., 2025.





### Cash Flow Analysis and Return on Investment

Utilizing the development costs, operating costs, and the potential revenue streams identified above, a 25-year cash flow analysis was prepared for each development scenario. The forecast cash flow analysis is summarized as an I.R.R. for the projects utilizing a discount rate of 10% and a residual land value analysis. The findings of this analysis are summarized below.

### Market Reference Scenario

A project is considered generally financially feasible if the project generates an I.R.R. of between 10% and 15%. For the purposes of this analysis, a minimum 10% I.R.R. is used as the threshold for feasibility. The results of this analysis for development scenarios are presented in Figure 7. As shown under the Market Reference Scenario:

#### **South Guelph S.G.A. (Stone Road and Edinburgh Road):**

- **Scenario 1a:** The project would generate an I.R.R. of 11.0% and a positive N.P.V. of \$0.2 million; and
- **Scenario 1b:** The project would generate an I.R.R. of 23.3% and a positive N.P.V. of \$4.1 million.
- **Scenario 2a:** The project would generate an I.R.R. of 16.5% and a positive N.P.V. of \$0.9 million; and
- **Scenario 2b:** The project would generate an I.R.R. of 26.2% and a positive N.P.V. of \$3.4 million.

### Alternative Development Scenarios

Building on the market reference scenarios, two additional scenarios were evaluated to assess the impact of affordability requirements. As shown in Figure 7, the scenario includes:

- **Scenario 1c:** Building on Scenario 1b, this scenario tests the provision for the affordable housing component, with a share of units designated to be sold as affordable housing, as defined by the provincial bulletin's affordability criteria.<sup>[4]</sup> By increasing the total units from 65 in Scenario 1a to 108 in Scenario 1c, 21 of the 43 additional units (49%) can be designated as affordable while maintaining an 11.3% I.R.R. and a positive N.P.V. of \$0.4 million, making Scenario 1c as feasible as Scenario 1a.
- **Scenario 2c:** Building on Scenario 2b, this scenario tests the provision of an affordable housing component, with a share of units designated as affordable housing, as defined by the provincial bulletin's affordability criteria. By increasing

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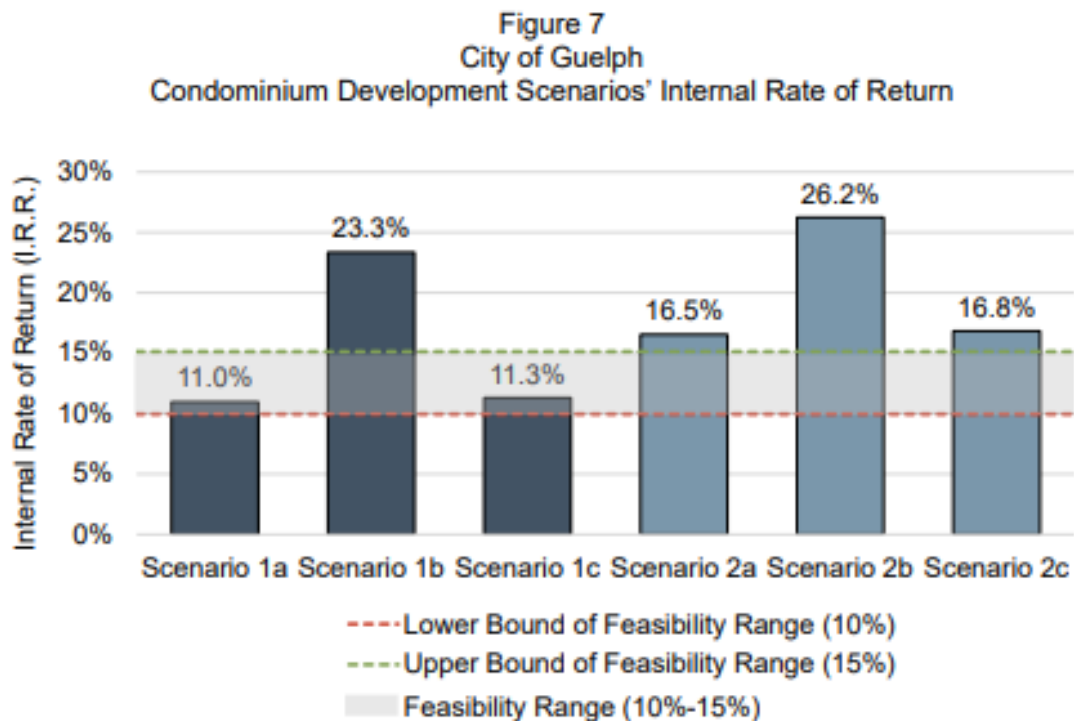
<sup>[4]</sup> Province of Ontario. (2024). *Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin*.



the total units from 83 in Scenario 2a to 137 in Scenario 2c, 26 of the 54 additional units (48%) can be designated as affordable while maintaining an I.R.R. of 16.8% and a positive N.P.V. of \$1.0 million, making Scenario 2c comparable in feasibility to Scenario 2a.

The analysis suggests that with expanded height and density permitted as per Scenarios 1b and 2b, that a maximum of 48% and 49% of additional housing permitted above and beyond those in Scenarios 1a and 2a, respectively, can be affordable housing as defined herein, while still achieving the base case (Scenario 1a and 2a) return on investment. There is an opportunity for the City to require developers to include a provision for affordable housing under the expanded height and density permissions. However, this percentage share of affordable units should be lower than the maximum percentage presented herein in order to incentivize development. The intent is to encourage more market and affordable housing development in the subject area. This could be monitored and adjusted over time.

The results of the I.R.R. analysis for each scenario are presented in Figure 7.



Source: Watson & Associates Economists Ltd., 2025.

With 19% of total units designated as affordable in Scenario 1c and Scenario 2c, the resulting I.R.R.s are comparable to those in Scenario 1a and Scenario 2a. However, the I.R.R. for Scenario 1a falls below the upper bound of the feasibility range (15%), while



Scenario 2a is slightly above it. To achieve an I.R.R. of 15%, the developments in Scenario 1c and Scenario 2c could accommodate 13% and 22% affordable units, respectively.

Alternatively, increasing the total unit count in Scenario 1a by 43 would allow up to 33% of these additional units to be designated as affordable while maintaining an I.R.R. above 15%. Similarly, increasing the unit count in Scenario 2a by 54 would enable up to 56% of the additional units to be affordable while still achieving an I.R.R. above 15%.

Cash in Lieu Contribution for Affordable Units

Building on the development scenarios outlined above, Watson has assessed the potential cash-in-lieu contributions for affordable housing units at the two identified sites under Scenario 1c and 2c, respectively. These contributions are proposed for consideration in the City’s C.P.P. By-law as an alternative to on-site affordable unit provision.

Figure 8 summarizes the maximum cash-in-lieu contributions under the two scenarios. In Scenario 1c, a total contribution of \$3,535,000 is estimated for 21 affordable units, equating to \$168,300 per unit or alternatively, \$111,900 per unit at 15% I.R.R. In Scenario 2c, a total contribution of \$2,145,000 is projected for 26 affordable units, resulting in a per-unit value of \$82,500. Considering the cash in lieu per affordable unit in Scenario 1c at a 15% IRR for development and Scenario 2c as presented, the average cash-in-lieu per affordable unit between the two projects is \$97,200.

Figure 8  
City of Guelph  
Maximum Cash in Lieu Contribution for Affordable Units

Sites	Total Cash in Lieu Contribution	Affordable Units	Cash in Lieu per Affordable Unit
Scenario 1c <sup>[1]</sup>	\$3,535,000	21	\$168,300
Scenario 2c	\$2,145,000	26	\$82,500

<sup>[1]</sup> Cash in Lieu per unit for Scenario 1c equal to \$111,900 per affordable unit at 15% I.R.R. for development.