TORONTO

STAFF REPORT
INFORMATION ONLY

Rental Replacement in Mid-Rise Developments on the Avenues – Official Plan Review

Date:	August 16, 2012
To:	Planning and Growth Management Committee
From:	Acting Chief Planner and Executive Director, City Planning
Wards:	All
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SUMMARY

As part of the 5 Year Official Plan Review, City Council requested staff to review the feasibility of replacing rental housing in new mid-rise development on sites along the City's *Avenues* that have existing residential rental housing. The Official Plan identifies *Avenues* as one area where growth of new housing and jobs should be directed. Many segments of the *Avenues* are characterized by low-rise buildings with retail on the ground floor and residential units above. There are also many low-rise rental apartments along the *Avenues*. The purpose of the study was to examine whether the Official Plan rental replacement policies – which require the replacement of existing rental housing where there are six or more units – may be impeding redevelopment of the *Avenues*.

The study, prepared by the team of N. Barry Lyon consultants and DTAH architects, looked at six test sites across the City. Copies of the full report will be available at the meeting and posted to the City's Official Plan Review website, www.toronto.ca/opreview. Using massing envelopes and a comprehensive financial analysis for each site, the consultant's study found that market conditions were the greatest impediment to building mid-rise along the *Avenues,* with or without the requirement to replace existing rental housing. The study found that the Official Plan rental replacement policies were not a substantive constraint to redevelopment along the *Avenues*.

The study reinforces the continued need to preserve and maintain affordable rental housing in the City and clearly articulates that the Official Plan rental replacement policies are not an excessive encumbrance on redevelopment on the *Avenues* and do not inhibit development from taking place.

Financial Impact
This report has no financial impact.

DECISION HISTORY
The *Avenues* and Mid-rise Buildings Study and Action Plan was approved by City Council in July 2010. At that time, Council directed the Chief Planner and Executive Director to incorporate in the 5 Year Official Plan Review an analysis of the housing policies of Section 3.2.1 of the Official Plan and the thresholds for demolition and conversion of rental housing units.

City Council's decision can be found here:
(http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.PG39.9)

ISSUE BACKGROUND

Official Plan Housing Policies
Section 3.2.1 of the City's Official Plan housing policies explicitly recognizes the demand for rental housing, particularly affordable rental housing, and the need to protect and conserve existing rental housing units. Specifically, policy 3.2.1.6 states:

"New development that would have the effect of removing all or a part of a private building or related group of buildings, and would result in the loss of six or more rental housing units will not be approved unless:

a) all of the rental housing units have rents that exceed mid-range rents at the time of application, or
b) in cases where planning approvals other than site plan are sought, the following are secured:
    i) at least the same number, size and type of rental housing units are replaced and maintained with rents similar to those in effect at the time the redevelopment application is made;
    ii) for a period of at least 10 years, rents for replacement units will be the rent at first occupancy increased annually by not more than the Provincial Rent Increase Guideline or a similar guideline as Council may approve from time to time; and
    iii) an acceptable tenant relocation and assistance plan addressing the right to return to occupy one of the replacement units at similar rents, the provision of alternative accommodation at similar rents, and other assistance to lessen hardship, or
c) in Council's opinion, the supply and availability of rental housing in the City has returned to a healthy state and is able to meet the housing requirements of current and future residents."

There has been relatively little rental housing construction in recent years, with new rental housing investment generally limited to projects that receive government funding. Further, the City's vacancy rate currently sits at 1.4%, a level that is considered to be below a healthy rate. These factors, combined with continued population growth and demand for rental housing, have led to a continued constriction of the rental market. As such, the replacement of rental housing continues to be a pressing policy matter across the City.

Growth Along the *Avenues*

Section 2.2.3 of the Official Plan identifies the *Avenues* as a central part of the City's growth management strategy in the Official Plan, in conjunction with the *Centres*, *Employment Districts* and the *Downtown and Central Waterfront*. *Avenues* represent segments of main commercial streets that can accommodate new housing and jobs while improving the public realm. Avenues serve as social and commercial centres and are intimately linked to the identity and vitality of the neighbourhoods that surround them. The *Avenues* also include a range of housing options for residents, including affordable and mid-range rental housing. The *Avenues* and Mid-rise Buildings Study put forward a framework to guide growth along the *Avenues* with a mid-rise typology. Mid-rise buildings are defined in relation to the adjacent street or Avenue and can rise no taller than the street right-of-way width, which is generally between 4 and 11 storeys.

Development on the *Avenues* has generally been concentrated closer to the downtown core and along major subway lines. From January 2007 to December 2011, City Planning received proposals for over 35,000 units along the Avenues, equalling about 23% of development proposals for the City during that time. While this demonstrates a trend for continued growth along the *Avenues*, development further out from the downtown and subway lines has traditionally faced greater challenges from both demand and supply sides of the equation. In particular, constraints due to fragmented ownership, costs of assembling land with operating retail on site, and the uncertainty and timing of land assembly have made development along some areas of the *Avenues* more complex. The costs of replacing existing rental housing on these sites can be a further encumbrance.

COMMENTS

Test Sites for Rental Replacement in Mid-rise Development

The study looked at six test sites to examine the impact of rental housing replacement on the feasibility of building mid-rise developments. The sites were chosen to represent a cross-section of existing built form typologies with rental housing on the *Avenues* across the City. The sites studied were:

- 2501 Eglinton Avenue West (at Keele St)
- 3453-3515 Bathurst Street (south of Wilson Ave)
- 2357-2369 Eglinton Avenue East (at Kennedy Rd)
- 1484-1492 Dundas Street West (at Dufferin St)
- 2988-2994 Keele Street (north of Wilson Ave)
- 3253-3257 Bathurst Street (south of Lawrence Ave W)

The sites at 2501 Eglinton Avenue West, 2988 Keele Street and 3253 Bathust Street are all typical purpose-built walk-up apartment buildings with between 22 to 24 rental units.

3453 Bathurst Street and 2357 Eglinton Avenue East are both traditional retail plazas with parking in front and residential rental housing above. These sites have between 14 to 23 rental units on them plus existing retail. The site at 1484 Dundas Street West is a smaller site with street level retail, no parking and 10 residential rental units above.

Typical of many of these types of properties along the City's *Avenues*, the majority of rents were generally assumed to fall within the affordable range for the City, with a handful at mid-range levels. Affordable rents are those that are at or below average market rent for the City of Toronto, as reported annually by Canada Mortgage and Housing Corporation. Mid-range rents exceed average rents but are below one and one-half times average market rent.

Report Findings

The City of Toronto and surrounding region has experienced significant growth of the condominium apartment market in the past decade. This demand is expected to continue and is supported by land use policies that prioritize the efficient use of existing planned and serviced areas. Approximately 88,000 condominium units have been sold in the City of Toronto between 2006 and 2011. Of this total, smaller mid-rise housing developments are a growing segment of the housing market. In the spring of 2012, 87 of the 298 residential developments that were being marketed to the public were mid-rise projects of between 3-11 storeys and out of the 87 developments, 29 were located along the *Avenues* and 18 are located in the *Downtown and Central Waterfront*.

The study highlights the opportunities and challenges of developing along the Avenues. However, the study clearly demonstrates that the cost of replacing the existing rental housing is far from acting as the tipping point against redevelopment. Rather, the costs and complexities of mid-rise development on the *Avenues* are generally greater barriers to redevelopment.

Some of the specific findings of the study include:

- The viability of redeveloping existing properties is heavily tied to market conditions and, specifically, achieving necessary pricing for residential condominium units. Feasibility of redevelopment is driven by, among other matters, accessibility to mass-transit, parks, shops, amenities and overall aesthetic qualities of the neighbourhood.
- Many portions of the *Avenues* do not yet have the market conditions to achieve necessary pricing required to promote redevelopment.
- In many cases, the value from existing retail and rental revenue exceeded the value of redeveloping the property in today’s market.
- With time, many sites that are not feasible to redevelop today are projected to become feasible as projects will be able to command higher prices for condominium units as the market grows.
- In general, where higher pricing is achievable, requirements for rental replacement do not pose a significant constraint to redevelopment.

- The significant influence of market conditions, along with the rapidly gentrifying character of many *Avenue* segments, indicated that amendments to the existing rental housing replacement policies are unwarranted and unnecessary at this time.

Continued Need for Affordable Rental Housing

Current research shows a growing trend towards the spatial concentration of income within the City of Toronto, with a greater separation of wealthy neighbourhoods from lower income neighbourhoods, and less moderate-income and mixed-income neighbourhoods overall throughout the City. Historically, the distribution of rental housing throughout the City of Toronto has contributed to achieving mixed tenure and income neighbourhoods. The scarcity of new purpose-built rental housing in the City and the pressure to redevelop existing stock has strained the existing rental stock. Condominium rentals, while being one of the few forms of new rental housing, generally are unaffordable to many renters and provide markedly smaller sized accommodation.

David Hulchanski's research on *The Three Cities Within Toronto: Income Polarization Among Toronto's Neighbourhoods 1970-2005* found that "(r)enters are found in most areas of the city, but are particularly prevalent in City #3 (lower income), where they account for almost half of all households. Renter households spend much more of their income on housing than owners do. In City #3, for example, 47% of renters and 32% of owners spent more than 30% of household income on housing in 2006. In City #1('wealthier city'), the gap is even wider, with 41% of renters and 21% of owners spending more than 30% of household income on housing. City #2 (middle income) is between these two, close to the citywide average". Further, Hulchanski's research shows that the percentage of renters in the City #1 has declined significantly from 1970 to 2005, whereas the percentage of renters in Cities #2 and #3 has stayed relatively constant over the years.

The consultant's report cautions that "as the current vacancy for purpose-built rentals in Toronto sits at 1.4% and housing prices are increasing more rapidly relative to income, a solution that would decrease affordable housing stock to induce the development of private market housing may pose considerable challenges from a policy perspective".

Planning for appropriate development along the *Avenues* does not need to occur at the expense of the City's valuable resource of affordable rental housing. The study demonstrates that both these goals can be successfully achieved where the local market is primed to support redevelopment. The study demonstrates that Toronto's housing market is highly dynamic and is expected to continue to grow. The pace of change and growth in many areas of the City suggests that intervention is unnecessary in cases where the local market is not yet primed for development as it is likely that, with time, increased demand and higher pricing for new units will make redevelopment of Avenue sites containing existing rental units feasible.

NEXT STEPS
In light of the study findings changes to the Official Plan rental replacement policies on the *Avenues* are not proposed as part of the Official Plan Review.

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SIGNATURE

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