

September 22, 2020

Deputy Mayor Ana Bailão and Planning and Housing Committee Members
City of Toronto
100 Queen Street West
Toronto, ON
M5H 2N2

Dear Deputy Mayor Bailão and Planning and Housing Committee Members,

RE: Inclusionary Zoning Draft Official Plan Amendment and Zoning By-law Amendment (PH16.7)

With more than 1,500 member-companies, BILD is the voice of the land development, home building and professional renovation industry in the Greater Toronto Area. Our industry is essential to Toronto's long-term economic strength and prosperity. In 2019 alone, the residential construction industry in Toronto generated over 118,000 on-site and off-site jobs in new home building, renovation and repair – one of the City's largest employers. As a simple rule of thumb, one crane in the sky represents 500 jobs. These jobs paid \$7.2 billion in wages and contributed \$14.8 billion in investment value to the local economy.

On behalf of our Chapter members, the City of Toronto's community builders, BILD is writing in response to item PH16.7 on the Planning and Housing Committee agenda which presents the Committee with a draft framework, Official Plan Amendment (OPA) and Zoning By-law Amendment for inclusionary zoning provisions. We understand that should this report be endorsed, staff will use the draft policies as the basis of public consultation moving forward and will work towards bringing forward a final recommended Inclusionary Zoning OPA and Zoning By-Law for consideration in the first half of 2021.

Understandably, the City is eager to utilize this tool in order to address its housing affordability challenges, and we have been actively engaged in this process to help ensure that any future inclusionary zoning policy requirement is applied in such a way where it does not inadvertently undermine future housing choice and the City's overall growth objectives. In this regard, BILD and its members have shared early feedback with staff through a number of preliminary submissions and working group discussions in lead up to the release of these draft documents. Through these engagements, we have remained steadfast in our position that inclusionary zoning will only be effective in bringing the City more affordable housing choices if its policies are premised on sound rationale and a true partnership model.

Since receiving the draft Inclusionary Zoning OPA and Zoning By-law on September 15th, BILD and its members have conducted a cursory review of the draft policies as well as the accompanying N. Barry Lyons Consultants (NBLC) Financial Impact Analysis Report, the Housing Need and Demand Analysis and the related report that proposes an OPA to the City's Affordable and Mid-Range Rent definitions.

Upon our preliminary review of these draft materials, we believe that this overall proposal ultimately falls short of achieving its intended objective of delivering affordable housing for three primary reasons, which are detailed as follows:

(1) Considering COVID-19 and the Cumulative Effects of all other Growth-Related Contributions

It is our understanding the NBLC Financial Impact Analysis Report that informs the draft policy and justifies the application of inclusionary zoning within certain City markets, does not take into consideration the effects of the COVID-19 pandemic, which continue to evolve and be determined day-by-day.

Business plans and operations have been disrupted by this pandemic, along with how individuals and households make future decisions on housing and the communities they want to live in. The development and building industry is

no exemption. Many of our members have expressed challenges with planning future projects and securing the necessary labour and construction material, both of which have been significantly constrained during this period and are expected to continue to be in the foreseeable future. These issues are further compounded when taking into account rising development charges, increasing review fees and higher expectations around parkland and community contributions.

Ultimately, adding the City's inclusionary zoning policies as they are currently proposed, will only hinder our members' ability make a sound business case to continue to build housing in the City. It is important the Financial Impact Analysis take into account the effects of the pandemic based on what is known today and request the Committee to give consideration for this.

(2) New Definition to Affordability & Affordability Period

Currently, the definition of affordable rental contained within the City's Official Plan is Total Monthly Shelter Cost (Gross Rent and utilities) at or below 100% of the Average Market Rent (AMR) by unit type as determined by CMHB or on an annual basis. Staff, to our surprise, are proposing to change this and have presented a new definition which is based upon the income of renters with rents (rent and utilities) not to exceed 30% of gross income. It will also be further applied in the following manner:

- Bachelor unit household income between 20th and 50th percentile of the household income;
- One-Bedroom unit household income between 30th and 60th percentile of household income;
- Two-Bedroom unit household income between 30th and 60th percentile of household income; and
- Three-Bedroom unit household income between 30th and 60th percentile of household income.

In no case should rents exceed 100% of the AMR by unit type.

This new definition has the impact of reducing qualifying rents by up to 60% less than the current definition requires. This, coupled with the extended affordability period of 99-years, will also have significant negative impact on development proformas.

This is particularly challenging for rental proformas, given the degree of uncertainty and risk the draft policy presents with the allowable rent levels over the longer term. Affordable rental units within a registered condominium will be subject to increases in maintenance fees, property taxes, utilities and special assessments and the registered owner of these units will be responsible to pay any increases, above the affordability threshold. If the gap between the rental income and operating expenses grows wider, there is no incentive to build and retain these units and accept the risk of ownership. There needs to be security that rents can cover operating and future capital costs and if the rents are expected to be maintained at the required affordability threshold for the required period, then there needs to be mechanisms in place that will ensure this. Otherwise, linking the financial viability of a project to income levels as opposed to the required costs to cover capital and operating is a major disincentive to development.

Fundamentally, it should be the purview of the government to fund and oversee affordable housing, and not the private sector to solely be accountable for the fact that income levels have not been able to keep pace with housing costs.

Furthermore, NBLC's Financial Impact Analysis Report does not consider the City's new affordability definition which is an inherent, critical error that needs to be addressed before proceeding with consultation on these draft policies.

(3) Lack of Incentives

We are disappointed to see that City staff have taken the approach to not offer any incentives or reduction in municipal fees and charges as an offset or contribution to inclusionary zoning units, except in the case where an applicant proposes to exceed inclusionary zoning requirements. Not only does this counter the spirit and intent of the province's legislation, it flies in the face of a partnership model.

At a minimum, the portion of a development that is attributable to IZ requirements should be relieved, either partially or in whole, from all development charges and related review fees. Staff, in their analysis, have rationalized that the basis of their position around incentives stems from their finding that no other jurisdiction offers financial incentives towards IZ units. We disagree with this sentiment as many municipalities, like those found in the U.S.A, offer density bonusing, reduced parking requirements, municipal tax waivers and municipal land as an offset.

Closing Remarks & Considerations Moving Forward

If the goal of inclusionary zoning is to increase the overall housing supply and ensure that a certain part of the supply is affordable to moderate income households or low income households with government support, then the City's draft policies presented in their current form will not achieve this. Although it is perceived that land prices will adjust to the new inclusionary zoning regime, BILD members are in disagreement of this notion and believe applying inclusionary zoning to as-of-right development will act as a disincentive to private sector investment. It is already challenging to achieve highest and best use under the current regime, and with the added layer of inclusionary zoning requirements, property owners will not see the value in redeveloping. This in turn may also actually hurt future municipal revenues associated with the land transfer tax.

Inclusionary zoning is complex, and comes with its limitations and there are still a number of other questions that remain to be answered including the governance model for inclusionary zoning units (ie. reporting, monitoring, and ownership) and how condominium fees and charges are to be treated. It may be worthwhile and simpler for City staff to instead consider utilizing the Community Benefits Charge to support the City's affordable housing objectives. The province released its final decision related to the CAP applicable to the Community Benefits Charge on September 18th and this new information should be given consideration in these discussions, as well as within the NBLC financial models.

BILD and its Toronto Chapter members remain committed to working in partnership with the City of Toronto to find solutions that will deliver the housing options Torontonians need today. Again, while we understand the City has long-awaited the opportunity to utilize inclusionary zoning to address its housing needs, it is important the City applies it carefully and correctly.

Thank you the opportunity to submit these comment and be engaged in this process. Should you have any questions, please contact the undersigned.

Sincerely,



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