

Supplementary Report - Implementation of the Federal Rapid Housing Initiative Phase Two

Date: September 29, 2021

To: City Council

From: Executive Director, Housing Secretariat; Interim General Manager, Economic Development and Culture

Wards: All

SUMMARY

At its meeting of September 21, 2021, the Planning and Housing Committee (the "Committee") adopted Item PH26.4 "Implementation of the Federal Rapid Housing Initiative Phase Two" with amendments. The Committee also requested staff to report directly to the October 1 and 4, 2021 meeting of City Council with additional information on properties submitted to the Canada Mortgage and Housing Corporation (CMHC) for consideration for funding under the Rapid Housing Initiative Phase Two such as the community council location, the land use designation, and the current use.

This report responds to the Committee's request. It also provides some context on the current hotel supply in the downtown core of the city.

RECOMMENDATIONS

The Executive Director, Housing Secretariat and the Interim General Manager, Economic Development and Culture recommend that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There are no financial implications arising from this report.

DECISION HISTORY

At its meeting of September 21, 2021, the Planning and Housing Committee adopted Item PH26.4 and requested staff to report directly to the October 1 and 4, 2021 meeting of City Council with additional information on properties submitted to the Canada Mortgage and Housing Corporation (CMHC) for consideration for funding under the Rapid Housing Initiative Phase Two such as the community council location, the land use designation, and the current use.

The Committee's decision and additional information on the Decision History related to the Rapid Housing Initiative and other related matters can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH26.4>

COMMENTS

Background

The Federal Rapid Housing Initiative (RHI) provides capital grants: to Municipal, Provincial, and Territorial Governments including their agencies; Indigenous governing bodies and organizations; and non-profit organizations, to support the acquisition of non-residential properties and buildings for the purposes of conversion to affordable and supportive housing. While this program has been welcomed by the City of Toronto and is essential to supporting delivery of the City's 24-Month Housing and Homelessness COVID-19 Recovery Plan, a key limitation is that the funding must be used to create net new homes. As such, RHI funds cannot be used to purchase existing market housing stock to be repurposed as affordable rental housing. This requirement, combined with the aggressive 12-month delivery timeline, means that there is a limited supply of eligible properties for acquisition under RHI. Staff have provided Canada Mortgage and Housing Corporation (CMHC) with feedback on the challenges associated with the existing RHI program criteria, and continue to engage in regular dialogue on potential future enhancements to the program.

Given the urgent need for affordable and supportive housing for people experiencing homelessness in Toronto, and with Council's objective of creating 3,000 permanent affordable homes, including 2,000 supportive housing opportunities by end of 2022, City staff are considering all appropriate options for funding under this program, including hotels and motels. Hotels and motels provide strong opportunities for conversion to housing under this program, given they tend to contain existing amenity space and units that are already self-contained.

City of Toronto's RHI Phase Two Submission

This report provides additional information on the sites submitted to CMHC for consideration for funding under Phase Two of RHI, as well as an overview of current and forecast hotel demand in Toronto.

For Phase Two of RHI, eligible applicants include:

- Applicants who had submitted an eligible application in 2020 and were not selected for funding
- Applicants who had submitted an eligible application in 2020 and only received partial funding from RHI, and
- Applicants who had submitted an eligible application in 2020 and while not being prioritized under RHI, received partial funding from another CMHC initiative.

In total, staff have submitted 19 projects for funding, representing approximately 1,000 units. These projects are located in 11 wards across all four Community Council areas. Seven sites are proposed to be led by the City, with the remaining 12 to be led by non-profit and/or Indigenous partners. Seven sites would entail the acquisition and conversion of existing buildings into permanent affordable housing, 11 sites are proposed to be developed with new modular construction, and one proposes to use traditional construction. The majority of the sites (11 of 19) are currently vacant buildings, parcels of land, or parking lots.

Table 1: Rapid Housing Initiative Phase Two Sites – Additional Details

Project No.	Community Council	Proponent	Project Type	Current Use	Current Land Use Designation
1	Etobicoke York	Non-profit	Modular	Vacant building	<i>Mixed Use Areas</i>
2	Etobicoke York	Non-profit	Modular	Vacant building	<i>Mixed Use Areas</i>
3	Etobicoke York	City	Modular	Vacant parcel	<i>Apartment Neighbourhoods</i>
4	North York	Non-profit	Modular addition	Apartment dwelling	<i>Apartment Neighbourhoods</i>
5	Toronto and East York	Non-profit	Modular	Vacant building	<i>Mixed Use Areas</i>
6	Toronto and East York	Non-profit	Modular	Vacant building	<i>Mixed Use Areas</i>
7	Toronto and East York	Non-profit	Modular addition	Community use	<i>Mixed Use Areas</i>
8	Toronto and East York	Non-profit	Modular	Parking	<i>Neighbourhoods</i>
9	Toronto and East York	City	Acquisition / conversion	Vacant building	<i>Mixed Use Areas</i>
10	Toronto and East York	Non-profit	Modular	Shelter / respite	<i>Neighbourhoods</i>

Project No.	Community Council	Proponent	Project Type	Current Use	Current Land Use Designation
11	Toronto and East York	City	Acquisition / conversion	Hotel / motel	<i>Mixed Use Areas</i>
12	Toronto and East York	City	Modular	Vacant lot	<i>Neighbourhoods</i>
13	Toronto and East York	City	Acquisition / conversion	Hotel / motel	<i>Mixed Use Areas</i>
14	Toronto and East York	City	Acquisition / conversion	Vacant building	<i>Neighbourhoods</i>
15	Toronto and East York	City	Acquisition / conversion	Vacant building	<i>Mixed Use Areas</i>
16	Toronto and East York	Non-profit	Conversion	Office / commercial space	<i>Mixed Use Areas</i>
17	Toronto and East York	Non-profit	Acquisition / conversion	Place of worship	<i>Mixed Use Areas</i>
18	Toronto and East York	Non-profit	Traditional construction addition	Apartment dwelling	<i>Neighbourhoods</i>
19	Scarborough	Non-profit	Modular	Parking	<i>Mixed Use Areas</i>

Hotel Supply in Toronto

The scope, scale and relevance of inventory/supply of hotels in any given market requires deliberate definition of that supply as it relates to demand. All supply is not equal in its impact on the various segments of travelers within the visitor economy.

Basic definitions for hotel supply

Hotel Types – This is a simplification of the various types of accommodations the hotel industry uses to define itself.

- Limited/Select Service – Limited/Select service hotels are usually simply described as budget-friendly hotels that offer accommodations without the food/beverage component on site, typically they are room only operations. This category includes properties like Hilton’s Homewood Suites, Marriott’s Fairfield Inn, Motel 6 and also includes properties called “motels”.
- Full Service - Full service hotels offer a wider variety of services, a simple differentiation between full and limited service hotels is the food and beverage

component and meeting/conference space. This category includes properties like the Hilton, the Marriott, the Westin, and independent properties like the King West Hotel in Toronto. These are not “motels”.

- Luxury - Luxury hotels offer all the features guests could expect during their stay, including spa services, fitness centers, sophisticated food and beverage operations, concierge and butler services. Customers demand and are willing to pay for the highest levels of quality and convenience. These hotels are typically located in resort areas and the heart of major cities. This category includes properties like the Ritz Carlton, the Shangri La, the St Regis, and independent properties like the Saint Germaine hotels in Toronto.

Types of Guests

- Leisure - Includes tourists, travelers visiting family and friends, and most non-business type of travelers.
- Corporate Transient - This is the business traveler.
- Meeting/Event Attendee - A traveler in Toronto for a meeting, convention and or event.

Overview of Toronto Hotel Supply/Demand Dynamics

Pre-pandemic Toronto hotel supply was at a critical point relating to the viability of Toronto as a destination for meetings and conventions. Alongside the meteoric growth of Toronto’s economy, there was significant loss of hotel supply in the full-service hotel segment – the key segment that supports the meetings and convention portion of the visitor economy. The city lost opportunities to host large meetings and events due to the lack of hotels willing to participate in a group room block, a basic requirement for most large meetings and conventions. While this is a good dynamic for existing hotel owners and managers, it is not a positive dynamic for the overall visitor economy. Like any economy, diversity is key.

Post-pandemic Toronto, like other large urban markets, is in a very different situation. The visitor economy in urban areas is not experiencing recovery like rural or resort destinations. Urban visitor markets are very dependent on the business transient and meeting/events segments. The city's current hotel supply, and the composition of the supply (limited vs. full vs. luxury) creates no barriers for the next 2-3 years. Re-opening does not mean recovery for urban markets like Toronto. Business volumes across all sectors, particularly corporate and meeting attendees, will take years to recover to prior levels.

Looking to the future of hotel supply in Toronto it is important to consider the various reasons for travel, and how they are impacted by the supply of hotels in our market. Currently, there are fewer barriers for the continued growth of the leisure/tourist market for Toronto as it relates to hotels. There is sufficient supply in all of the accommodation sectors needed to fill the needs of any leisure traveler, though for the leisure market a diversity of product and levels is essential.

For the meetings and events sector, the pre-pandemic loss of full-service hotel inventory to other uses negatively impacted the city's position in the highly competitive

meetings and events market. The segment of hotels that saw growth during this period were the luxury and limited/select service segments – segments that do not serve the meetings and events market. It will be important to address the need for full service hotels in the core downtown area of Toronto, and particularly in proximity to major event venues, while also finding ways to encourage hotel development that will support growing economies in suburban and (around) industrial areas of the city.

There are presently 42 projects in the latest Development Pipeline 2021 Q2 that involve the construction of or substantial alteration to hotel uses in development proposals that have had approval or construction approval over the five years up to June 30, 2021. In total, these represent 8,058 hotel units. Nineteen projects have their first Planning approval and are continuing through the City's approvals processes and are not yet built. Another 23 projects are currently under review. If all the projects were approved and developed this would represent an increase to the city's hotel supply.

Pipeline Status	Projects	Hotel Suites
Active	19	3,141
Under Review	23	4,917
Total	42	8,058

Moving forward, City staff will engage key stakeholders in robust collective planning related to hotel inventory - the economic need for it having been well established through Destination Toronto's [Visitor Economy Study](#).

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