

Housing Now Initiative - 2023 Progress Update

Date: April 13, 2023
To: Planning and Housing Committee
From: Executive Director, Housing Secretariat
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report deals with a proposed or pending acquisition or disposition of land by the City of Toronto.

This report deals with a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City.

Attachments 1 and 2 to this report contain financial information, supplied in confidence to the City of Toronto and CreateTO, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

SUMMARY

The Housing Now Initiative is a signature affordable housing program in Toronto and across Canada. It is also a key housing supply program to support the City's [HousingTO 2020-2030 Action Plan](#) and [Housing Action Plan 2022-2026](#). Through the Housing Now Initiative, the City of Toronto has dedicated 21 of its prime transit-oriented sites, and earmarked another five pipeline sites, for the delivery of purpose-built affordable and market rental housing within mixed-income, mixed-use and complete communities. To-date, the City has committed over \$1.3 billion in land value, capital funding and financial incentives to the program, making it one of the most significant municipal financial investments in housing underway today.

Although the Housing Now Initiative was first approved by Council at its meeting on January 30 and 31, 2019, ([Item EX 1.1](#)), and ten sites have been re-zoned to-date, with six market offerings completed, construction has not yet started on any site. This is primarily due to slow downs resulting from the COVID-19 pandemic, current macroeconomic factors impacting the delivery of construction projects, and recent

federal and provincial actions impacting Toronto. Specifically, construction costs have increased by over 63% (more than 20% year-over-year) since 2019, making Toronto the most expensive city in Canada to build high-rise residential. Construction costs have also increased nearly four times faster than rents over the last three years. Additionally, recent changes to federal National Housing Strategy programs have resulted in capital grant funding allocations being capped at levels insufficient to support the cost of developing new housing in this city. At the provincial level, the implementation of the Bill 23, More Homes Built Faster Act ("Bill 23") has eliminated housing services Development Charges revenues, which has been the City's primary funding tool to deliver new housing supply. These factors, along with significant increases in interest rates, labour shortages and global supply chain disruptions impacting the availability of materials, have resulted in many housing projects being stalled in Toronto.

At the same time, the need for more purpose-built affordable and market rental housing in the city has never been greater. The current residential vacancy rate is around 1.7%, there are over 10,800 people experiencing homelessness each night, about 40% of the city's renter households (223,188 households) are living in unaffordable housing, and home ownership rates are dropping as affordability falls to the lowest level on record. There is also increased pressure to expand rental housing supply to support population and economic growth through immigration, with federal immigration targets of 500,000 annually by 2025, and a significant portion likely to settle in Toronto.

This report makes a number of recommendations to City Council to help 'unstuck' Housing Now projects that can be quickly activated, including ones where developer partners have been selected, and others that have been re-zoned and are ready to be offered on the market in 2023. The sites referred to in Recommendations 1, 2 and 3 of this report are already in-flight and are anticipated to start construction in late 2023, subject to Council's approval of the instructions to staff outlined in Confidential Attachment 1. To advance all other sites, key recommendations include taking a geographic-specific approach to site delivery (including the tenure, mix and types of units), and offering financial grants/contributions particularly for non-profit projects and those located in market zones with lower land values, provided that the City is reimbursed by the Government of Ontario for the housing services revenue losses being incurred as a result of Bill 23 (\$120 million per year). In the event that the provincial government does not provide or commit to a multi-year reimbursement of lost revenues beginning in 2023 by the third quarter of 2023, the City will not be able to advance any future Housing Now sites, including the ones earmarked to proceed in 2023/24.

Furthermore, this report outlines a number of other urgent actions required by the federal and provincial governments to support City efforts and to meet their own ambitious supply and growth targets. In the absence of coordinated and sustained action across all orders of government, and new and enhanced investments in housing, the City of Toronto, the Government of Ontario and the Government of Canada will be challenged to deliver the 'right' type of housing supply to meet the needs of current and future residents and support the economic and social growth of the region, province and country.

The recommendations in this report are intended to balance the critical need for more purpose-built affordable and market rental homes with the current market and regulatory forces impacting development projects. They also support the City's shift towards a human rights-based approach to housing by ensuring that a range of new homes, for a range of incomes and needs, can be delivered in all areas of the city despite sub-market differences.

This report has been informed by a number of key stakeholders including City and CreateTO staff, and external housing policy and housing development experts and academics who comprise the Rental Housing Opportunities Roundtable which was initiated in January 2023 following City Council direction through Item [2022.EX34.1](#).

RECOMMENDATIONS

Financial and Budget Considerations

1. City Council adopt the instructions to staff as set out in Confidential Attachment 1, for the site at Bloor/Kipling Block 1 (5207 Dundas Street West).
2. City Council adopt the instructions to staff as set out in Confidential Attachment 1, for the site at 50 Wilson Heights Boulevard.
3. City Council adopt the instructions to staff as set out in Confidential Attachment 1, for the site at 140 Merton Street.
4. City Council direct that Confidential Attachments 1 and 2 to the report (April 13, 2023) from the Executive Director, Housing Secretariat remain confidential in their entirety as they: pertain to a proposed or pending acquisition or disposition of land by the City of Toronto; outline a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City; and contain financial information, supplied in confidence to the City of Toronto and CreateTO, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.
5. City Council adopt the instructions to staff in Confidential Attachment 2, subject to the City of Toronto being fully reimbursed by the Government of Ontario for the financial impacts/lost revenues as a result of the implementation of the Bill 23, More Homes Built Faster Act, with written confirmation of reimbursement to be received from the Government of Ontario.
6. City Council request the Chief Financial Officer and Treasurer, Deputy City Manager, Community and Social Services, Deputy City Manager, Infrastructure Development Services, in collaboration with the Chief Planner and Executive Director, City Planning, the Executive Director, Housing Secretariat and the Chief Executive Officer, CreateTO, to work with City divisions and agencies and look for opportunities to better align infrastructure and city-building projects and 10-year capital plans with the delivery of Housing Now sites.

7. City Council request the Executive Director, Housing Secretariat and the Chief Planner and Executive Director, City Planning, to explore ways to use the recently announced Federal Housing Accelerator Fund to support delivery of Housing Now sites, and other key city-building projects such as Quayside, Villiers Island and Toronto Community Housing Revitalization sites.

8. City Council request the Chief Planner and Executive Director, City Planning in consultation with the Executive Director, Housing Secretariat and the Chief Executive Officer, CreateTO to explore approved Housing Now sites and Housing Now sites that are yet to be re-zoned for opportunities to add additional residential density with the intention of increasing housing supply and supporting affordable housing delivery.

9. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO and Chief Planner and Executive Director, City Planning, to report back to Council in 2024 with an update on the success of the market offerings referred to in Recommendation 5 above, and to recommend any further program changes required to scale up housing supply.

Program Considerations

10. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO, to allow flexibility in the proportion of market rental and ownership units for Housing Now sites, while maintaining a minimum one-third affordable rental units on a program-wide basis, reflective of the geographic-specific market challenges and differences in land values across the city.

11. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO and Chief Planner and Executive Director, City Planning to allow flexibility in the mix and types of residential units to be delivered at Housing Now sites, including permitting up to 10 percent of units as studios, or a greater amount for sites delivering new supportive housing, as appropriate.

12. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO and Chief Planner and Executive Director, City Planning to use for each site an appropriate set of unit size requirements informed by: i) the Affordable Housing Design Guidelines and the Growing Up Guidelines for affordable rental units and market units, and ii) the type of supportive housing and requirements of tenants anticipated to occupy the affordable housing units at Housing Now sites, with consideration of optimizing livability and ensuring appropriately-sized units for larger households.

13. City Council request the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO to look at opportunities to enhance accessibility and include more universal design features in affordable and market rental units at Housing Now sites.

14. City Council request the Executive Director, Housing Secretariat in consultation with the Chief Executive Officer, CreateTO and the Chief Planner and Executive

Director, City Planning to ensure that all future Housing Now Initiative sites achieve the Toronto Green Standard Version 4 Tier 2 energy performance level with the aim of achieving net zero.

Land and Planning Considerations

15. City Council request the Executive Director, Housing Secretariat to move the site located at 1303, 1313, 1325, 1337 and 1345 Queen Street West and 220 and 224 Cowan Avenue ("Parkdale Hub") from being a 'pipeline' site to a Phase Three site to be offered to the non-profit, co-operative and Indigenous housing sectors.

16. City Council extend the application of the approvals and delegated authorities set out in Parts 1, 2, 3, 4, 5, 7, 12, 13, 22, 30, 33, 34, and 35 of Item 2021.PH28.2, as adopted by City Council at its meeting on November 9, 10 and 12, 2021 (Housing Now Initiative - Annual Progress Update and Launch of Phase Three Sites), to the site located at 1303, 1313, 1325, 1337 and 1345 Queen Street West and 220 and 224 Cowan Avenue ("Parkdale Hub"), in the in the same manner as the Phase Three sites approved in Item 2021.PH28.2.

Affordable Rental Housing Considerations

17. City Council authorize the Executive Director, Housing Secretariat to offer the Open Door incentives for affordable rental housing, for up to 90 affordable rental homes, for 99 years, and to exempt the affordable rental housing developed at Parkdale Hub, including any applicable ancillary and related amenity space in the Parkdale Hub, from the payment of development charges and provide a waiver of all planning and building permit fees and parkland dedication fees.

18. City Council authorize the Controller to refund any planning and right-of-way fees paid with respect to 1303, 1313, 1325, 1337 and 1345 Queen Street West and 220 and 224 Cowan Avenue, and waive any building permit fees associated with the future development of these addresses that form the Parkdale Hub.

19. City Council exempt up to 90 affordable rental homes anticipated to be developed in the Parkdale Hub from taxation for municipal and school purposes for the term of the municipal housing project facility agreement, with the property tax exemption having an estimated net present value of approximately \$3.44 million over 99 years.

20. City Council authorize the Controller to cancel or refund any taxes paid for the affordable rental homes developed in the Parkdale Hub, after the effective date of the exemption for taxation for municipal and school purposes set out in the applicable municipal housing project facility agreement.

21. City Council authorize the Executive Director, Housing Secretariat to negotiate and enter into, on behalf of the City, a municipal housing project facility agreement (the City's Contribution Agreement) with the non-profit developers chosen for the Parkdale Hub, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor.

22. City Council authorize the Executive Director, Housing Secretariat or their designate, in consultation with the Chief Financial Officer and Treasurer, to execute, on behalf of the City, any security or financing documents required by the non-profit developers of the Parkdale Hub to secure construction and conventional financing and subsequent refinancing, including any postponement, confirmation of status, discharge or consent documents where and when required during the term of the municipal housing project facility agreement, as required by normal business practices, and provided that such documents do not give rise to financial obligations on the part of the City that have not been previously approved by City Council.

23. City Council authorize the Deputy City Manager, Corporate Services, in consultation with the Deputy City Manager, Community and Social Services, to provide any consent necessary to transfer or encumber the Parkdale Hub or the affordable rental housing portion thereof, and to negotiate and enter into any agreements or other documents required to effect any future transfer or assignment of the Parkdale Hub or the affordable rental housing portion thereof, and the associated legal agreements with the City to another legal entity, on terms and conditions satisfactory to them and in a form approved by the City Solicitor.

Intergovernmental Considerations

24. City Council re-iterate its request that the Government of Canada and the Government of Ontario designate surplus land in Toronto to create purpose-built affordable and market rental housing as part of the Housing Now Initiative.

25. City Council request the Government of Canada and the Government of Ontario to support the delivery of purpose-built affordable and market rental housing on Housing Now sites, and other projects in Toronto by:

- a. waiving their respective portion of Harmonized Sales Tax (HST)/Goods and Services Tax (GST) on new affordable rental; and
- b. deferring HST/GST on market rental units, interest-free and re-payable after first 10 years following occupancy of projects.

26. City Council request the Government of Canada and the Canada Mortgage and Housing Corporation (CMHC) to consider enhancing its existing programs under the National Housing Strategy, including the National Co-Investment Funding (Co-Investment Fund) and the Rental Construction Financing Initiative (RCFI), to make them feasible within the local Toronto market context:

- a. Increase the minimum length of affordability required on projects to optimize public investments and better align with City of Toronto programs;
- b. Develop a core group within CMHC that deals with large scale priority projects, including Housing Now sites, with a mandate of expediting the review of complete funding and financing applications;
- c. Develop a grant allocation mechanism for CMHC programs which reflect geographic-specific land and construction costs relative to market rents, as well as housing need and demand;

- d. Remove the nation-wide per door maximum grant contribution of \$25,000 under the Co-Investment Fund, and consider grants of at least \$50,000 per rental unit in Toronto and similar urban areas, reflective of the higher cost of building and to support project viability;
- e. For RCFI loans, reduce the minimum debt service coverage ratio to 1.0x for residential component with an overall project debt service coverage ratio (DSCR) of 1.05x;
- f. For RCFI loans, offer an additional 10-year term renewal for a total potential loan term of 20 years;
- g. For both the Co-Investment Fund and RCFI loans, reduce the mortgage stress spread to 50 bps over the 10-year Government of Canada Bonds;
- h. For both the Co-Investment Fund and RCFI loans, use projected stabilized net operating incomes (based on market and affordable rent growth) for projects when calculating supportable debt;
- i. Lock in interest rate the earlier of executed copy of the commitment letter or conditional construction permit by proponent;
- j. For non-profit projects, reduce the security/collateral required in order to make the programs accessible and to help build capacity in the sector; and
- k. Permit initial and subsequent monthly loan advances to occur in amounts equal to the developers equity contributed for that month as payments required for the project after the later of the construction start and the proponent having submitted a satisfactory guarantee for 50% of their estimated required project equity.

27. City Council request the Government of Canada and the Canada Infrastructure Bank to make the non-housing infrastructure components of mixed-use/residential projects, including residential building components that enhance sustainability, to be eligible for Canada Infrastructure Bank low-cost financing programs, and allow stacking with Canada Mortgage and Housing Corporation programs, to optimize public investments, increase housing supply within complete communities, and support climate action.

28. City Council request the Government of Ontario to support the delivery of new affordable rental housing projects, including Housing Now sites, and provide grant funding and low-cost financing to augment federal and City efforts to ramp up housing supply across Toronto.

FINANCIAL IMPACT

City of Toronto

City of Toronto Current Financial Context

At its meeting of March 29, 2023, City Council adopted Item [2023.EX3.2](#), which highlighted that over the next 10 years, the City of Toronto faces operating and capital funding pressures of \$46.5 billion. Without new and sustainable revenue tools to address the fiscal pressures, the City of Toronto will be challenged to continue to deliver

services, and fulfill investments in the 10 year capital plan including housing and other related social services.

A phase 2 report is expected to be brought forward by staff to the Executive Committee and Council in July 2023, including a review of programs and services (including housing), revenue sources, and a long-term fiscal plan for the City.

Housing Now Capital Program

The 2023 – 2032 10 year Capital Plan includes \$440 million in approved funding for the Housing Now program and associated costs available over the 10 year capital planning period. Based on funding timing and availability, the majority of the funding or approximately \$390 million will be limited to availability in years 2025 and onward.

Additionally, \$210 million in capital funding was also included in the approved Capital Plan for Housing Now, however this funding is not available for any commitments at the moment as it is dependent on a commitment of full reimbursement from the province to offset expected Bill 23 implications to capital funding.

As part of the 2023 Capital Budget process, a further \$675 million in capital needs for the Housing Now program was reflected as an unfunded capital constraint, reflecting the added funding that would be needed to completely deliver the envisioned Housing Now Initiative.

Financial Impacts of Provincial Policies and Legislation

In addition to the fiscal pressures outlined above, it is critical to note that the City's ability to continue to deliver the Housing Now Initiative (and all other housing programs) plus the community infrastructure required to support new housing, is currently at high risk due to the significant financial impacts arising from the recently enacted provincial Bill 23, *More Homes Built Faster Act, 2022* ('Bill 23'). Specifically, Bill 23 has removed the City's ability to collect anticipated and budgeted development charges for housing services, resulting in an approximate \$1.2 billion in lost revenues over 10 years.

Additionally, the Government of Ontario has introduced a number of changes to policies and legislation over the past few years through the Ontario Housing Supply Action Plan (Bill 108, *More Homes, More Choice Act*) and Bill 109 (*More Homes for Everyone Act*). Together with Bill 23, these changes have negatively impacted the City's key tools and programs for creating new affordable rental housing, including the Open Door Program, Section 37 density bonusing, and Inclusionary Zoning.

In the absence of the City being fully reimbursed by the province for the lost revenues as a result of Bill 23, beginning in 2023 and provided with a multi-year commitment to be made whole in future years, and without new financial and policy tools, the City will not be able to provide the services essential to support growth even in the short term, deliver existing housing programs necessary to scale up supply and respond to the needs of residents, and plan for complete communities.

City Investments

It is estimated that through implementation of Phases One, Two and Three of the Housing Now Initiative, the City will be dedicating over \$1.3 billion in; land value, Open Door Program financial incentives, and staffing resources to expedite the planning approvals and development processes.

Capital Investments

Since implementation of the Housing Now Initiative, the City has invested approximately \$27 million in capital funding to support due diligence, re-zoning, other costs associated with enabling and preparing 10 sites for development (including relocation costs) and administrative costs to deliver the program.

In 2023, the City also allocated almost \$50 million to support continued delivery of the program, premised on the assumption that the City will be made whole by the provincial government for the lost development charges revenues associated with the enactment of Bill 23. In the absence of a full reimbursement or commit to doing so by provincial government by the third quarter of 2023, and the additional program changes required from the federal government (Recommendation 26) the City will not be able to advance any future Housing Now sites, including the ones earmarked to proceed in 2023/24 (Confidential Attachment 2).

To ensure alignment with approved and available funding by year, Housing Secretariat will ensure that the cash flow of these recommendations are aligned with uncommitted funding included in the 2023 Council approved capital budget and plan.

Land Value

Land value contribution will be determined in the business case process and will depend on various factors, such as transaction structure (lease vs. land sale), rental to ownership ratio (which might vary per site), market rents and land values at the time of offering, and costs of any additional city building needs that may be funded by land value. It is expected that other city building priorities identified for Housing Now sites by City divisions and agencies will be reviewed and approved through the City’s budget process.

Open Door Affordable Housing Program Incentives for Affordable Rental Units

The City's Open Door Affordable Housing Program financial incentives for Housing Now sites include relief from development charges, building permit fees, planning application fees and parkland dedication fees as well as an exemption from property taxes for the 99-year affordability period.

Through Items [EX1.1](#), [PH14.3](#), [CC21.3](#) and [PH28.2](#), City Council has approved approximately \$433.95 million in Open Door Program incentives to-date to support the creation of 5,605 affordable rental homes in Phases One, Two and Three.

In addition to the incentives provided to-date to support the creation of 5,605 affordable rental homes in Phases One, Two, and Three, this report recommends City Council approval of Open Door Affordable Housing Program financial incentives of approximately \$18.188 million to activate an additional 90 affordable rental units to be created at the Parkdale Hub site.

The proposed incentives through the Open Door Affordable Housing Program includes exemptions from development charges, planning and building permit fees, and property taxes for 99 years. Based on applicable fees, charges, and tax exemption estimates, the average of these incentives is \$202,091 per unit, for a total of approximately \$18.188 million in City incentives as outlined in Table 1 below.

Table 1: Additional Door Incentives Proposed for Phase Three Sites

Site	Net New Affordable Rental Homes	Estimated Affordability Period (Years)	Estimated Development Charges	Estimated Planning Fees and Charges*	Estimated Net Present Value of Property Taxes†	Estimated Total Value of Incentives
Parkdale Hub	90	99	\$5,263,690	\$9,486,476	\$3,438,037	\$18,188,202

*Includes estimated 2023 building permit fees of \$4.8 million, 2023 planning fees of \$3.3 million, and parkland dedication fees of \$1.4 million.

†Calculated using 2023 property tax rates and 2022 Education Tax Rates. 2023 Education Tax Rates will be available after May 11, 2023, City Council meeting.

It should be also noted that as a result of Bill 23, the province requires all development charges and parkland dedication fees noted above to be waived.

Property Tax Breakdown

At current 2023 rates, the value of the annual property tax exemptions associated with this development is estimated at \$108,982. The net present value of this tax relief, over the 99-year term that the incentives would be in effect, is estimated at \$3.438 million, as summarized in Table 2 below.

Table 2: Property Tax Breakdown for 90 Additional Affordable Rental Homes

Property Tax	Annual	NPV: 99 Years
City	\$ 82,779	\$ 2,611,415
Education	\$ 25,026	\$ 789,494
City Building	\$ 1,177	\$ 37,127
Total:	\$ 108,982	\$ 3,438,037

The total estimated Open Door Affordable Housing Program contribution of \$18.188 million allocated to-date to support the Housing Now Initiative is not a direct capital payment from the City but rather foregone revenues that the City waives or forgives under the program.

Growth Funding Tools

In addition, City Council exempted Housing Now developments from the Community Benefits Charge By-law 1139-2022 (EX34.2) and its Parkland Dedication By-law 1144-2022 (EX34.3) both enacted on August 15, 2022.

Federal Investments

The federal National Housing Strategy programs, administered by CMHC, including the National Co-Investment Fund and the RCFI program, are essential to deliver the Housing Now Initiative and the overall [HousingTO 2020-2030 Action Plan](#). However, enhanced investments, plus a number of program changes (outlined in Recommendation 26), are urgently needed for these programs to appropriately respond to the cost of building plus the housing needs and demands in Toronto.

Staff will also explore additional opportunities to unlock new housing supply through the recently announced federal [Housing Accelerator Fund](#) which will launch in June 2023, and includes \$4 billion in funding for local governments to fast track a target of 100,000 new homes. As well, the future [Co-operative Housing Development Program](#), announced in Budget 2022, could provide new funding to build new co-op housing units across Toronto and support the Housing Now Initiative, should it be launched in 2023. There are no additional funding or investments required from the City, in addition to the investments already made as outlined on page 9 of the report under 'City Investments' section, for the City to qualify for both the National Co-Investment Fund and the Housing Accelerator Fund.

In addition to programs administered through CMHC, this report recommends that the federal government permit the non-housing infrastructure components of mixed-use/residential projects, including residential building components that enhance sustainability, to be eligible for Canada Infrastructure Bank low-cost financing programs, and allow stacking with CMHC programs, to optimize public investments, increase housing supply within complete communities, and support climate action.

It is also recommended that the federal government support the delivery of new purpose-built rental housing projects through additional measures such as: waiving its respective portion of HST/GST on new affordable rental projects; and deferring HST/GST on market rental units, interest-free and re-payable after first 10 years following occupancy of projects.

Provincial Investments

Through the [More Homes, More Choice: Ontario's Housing Supply Action Plan](#), the Government of Ontario has established a target of delivering 285,000 new homes in Toronto over the next 10 years. Delivery of this plan requires not only provincial legislative changes and municipal participation, but also significant new financial

investments from the province. These investments are critical to ensuring that a range of homes, for a range of incomes, including homes that are affordable for low-and-moderate income households, are delivered to address current and future needs and demands.

As noted above, the City's ability to continue to deliver new housing (including continued implementation of the HousingTO Plan and the new [Housing Action Plan 2022-2026](#)) to meet provincial targets, and to fund the community infrastructure to support new housing, is currently at high risk due to the financial impacts of Bill 23. Therefore, it is critical for the Government of Ontario to honour its commitment to reimburse Toronto for these impacts, plus allocate net new investments into housing. Additionally, as mentioned above, in addition to Bill 23 reimbursement, a further \$675 million in capital needs for the Housing Now program is currently an unfunded capital constraint, reflecting that new and enhanced investments from both the federal and provincial governments are needed to deliver the full 10,000 affordable rental units envisioned under the program.

This report also recommends that the provincial government support the delivery of new purpose-built rental housing projects through additional measures such as: waiving its respective portion of HST/GST on new affordable rental projects; and deferring HST/GST on market rental units, interest-free and re-payable after first 10 years following occupancy of projects.

Furthermore, new and enhanced operating funding from the Province of Ontario is necessary to create new supportive housing opportunities through the Housing Now Initiative and other City programs. This includes funding for rent supplements needed to help deepen affordability for low-and-moderate-income households, as well as funding to deliver a range of wraparound social and health supports onsite which are necessary to help vulnerable and marginalized residents successfully exit (or prevent their entry into) homelessness.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications.

EQUITY IMPACT STATEMENT

The HousingTO 2020-2030 Action Plan envisions a city in which all residents have equal opportunity to develop to their full potential. The HousingTO 2020-2030 Action Plan is also centred on a human rights-based approach to housing. This approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building healthy, inclusive and sustainable communities.

The Housing Now Initiative is a key program under the HousingTO 2020-2030 Action Plan aimed at creating new affordable rental housing within mixed-income, transit rich, complete communities. Creating new affordable housing through the Housing Now Initiative will increase the opportunity for structurally vulnerable and marginalized individuals, including Indigenous Peoples, Black and other racialized people, seniors, women, people with disabilities and members of the 2SLGBTQ+ community to access

safe, healthy and adequate homes. More housing opportunities for essential workers and families will also be created through the Housing Now Initiative.

Safe, adequate affordable housing is an important determinant of health. It is also the cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region, province and country as a whole.

DECISION HISTORY

At its meeting on March 21, 2023, the Executive Committee adopted "2023 Housing Action Plan" which provided a workplan to support delivery of the Housing Action Plan, and to meet or exceed the provincial delivery target of 285,000 new homes over the next 10 years.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX3.1>

At its meeting on December 14, 2022, City Council directed the City Manager to develop a Housing Action Plan for the 2022-2026 term of Council. The Plan includes a range of actions to increase the supply of housing, including reviewing delivery targets for Housing Now sites, implementing more permissive land use planning policies and regulations, increasing housing opportunities within neighbourhoods, updating the Open Door program, and developing a publicly available affordable housing dashboard, among other key actions items.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC2.1>

At its meeting on November 9, 2021, City Council adopted with amendments "Housing Now Initiative - Annual Progress Update and Launch of Phase Three Sites" which provided an update on the status of the 21 sites under the program, added an additional; 7 'pipeline' sites, and made some amendments to the program.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH28.2>

At its meeting on September 30, 2020, City Council adopted with amendments "Improving Outcomes for Toronto Residents through Implementation of HousingTO 2020-2030" which provided a detailed Implementation Plan for the actions in the HousingTO Action Plan. The Housing Now Initiative is a key program supporting delivery of the HousingTO 2020-2030 Action Plan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.5>

At its meeting on June 29, 2020, City Council adopted with amendments "Housing Now Initiative – Annual Progress Report" which outlined early successes in the Housing Now Initiative, updated on progress on the 11 sites under Phase One. Program enhancements were recommended in response including providing rent protection for market renters, expanding partnerships to increase affordability, enhancing accessibility requirements, supporting Indigenous communities, and enhancing participation of the community housing sector.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH14.3>

At its meeting on May 28, 2020, City Council adopted "Creating New Affordable Housing Opportunities through Phase Two of the Housing Now Initiative" which

introduced six new sites for development into new affordable and market rental housing. This report also outlined the delivery framework for the Housing Now initiative, and the affordable housing targets expected on the sites.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC21.3>

At its meeting on December 17 and 18, 2019, City Council, adopted with amendments, "HousingTO 2020-2030 Action Plan" as the framework to address Toronto's housing and homelessness challenges by 2030. This Plan includes a number of actions and targets to address critical needs across the housing spectrum including emergency shelters and transitional housing, social and supportive housing, market and affordable rental housing and homeownership. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting on January 30 and 31, 2019, City Council adopted EX 1.1 "Implementing the "Housing Now" Initiative". This report provided recommendations on the organizational structure and processes to deliver the Housing Now Initiative, the proposed affordable housing program and the overall financial implications of the program. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX1.1>

At its meeting on December 13, 2018, City Council adopted CC1.3 "Housing Now", which approved the activation of 11 City-owned sites for the development of affordable housing as part of creating mixed-income, mixed-use and transit-oriented communities.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC1.3>

COMMENTS

Background

Toronto's Housing Needs and Demands

Toronto's housing crisis is multi-faceted with various contributing factors. Some of these include a lack of affordable and adequate housing options, rising rental and homeownership costs, inflation, and social assistance rates and incomes that have not kept pace with the cost of living.

While the City of Toronto has advanced a number of actions and made significant financial investments in housing over the past few years, recent housing indicators suggest that there is still significant work to be done to improve outcomes for current and future residents. Additionally, recent indicators suggest that low-and-moderate income households, particularly renters and those from equity-deserving groups, continue to be most impacted by the housing crisis. Specifically:

- City of Toronto data from February 2023 indicates that there were 10,849 people actively experiencing homelessness.
- About 48% of Toronto households (557,970 households) are renters, and 40% of renters are living in unaffordable housing, compared to 26% of owners.

- CMHC's [2023 Rental Market Report](#) showed that the overall vacancy rate of purpose-built rental units decreased from 4.9% in 2021 to 1.7% in 2022, indicating that recent increases in the supply of rental housing have been insufficient to meet demand.
- A household would have to earn almost \$79,000 to afford the average rent of a vacant apartment (\$1,971) without spending more than 30% of their income towards rent.
- To afford the average rent for rented condominium units in Toronto (\$2,559), as reported by the Toronto Regional Real Estate Board in their 2022 Q4 Rental Market Report, a household would need to earn over \$102,300. These rents are not affordable to many workers in the city, such as dental assistants, grocery store workers, and early childhood educators who generally earn between \$33,000 and \$47,000 a year.
- Renters paying less than Toronto's average market rent, including those in core housing need, are more likely to live in Scarborough, East York, York and central/northern Etobicoke areas of the city, signaling the need for targeted housing investments in these neighbourhoods.
- The Federal government has set targets to increase the number of immigrants entering Canada, with a goal of 500,000 people each year by 2025 to address labour market shortages and help grow our economy. As about 30% of these newcomers will ultimately end up in Toronto based on past trends, a range of new housing options will be needed over the short and medium terms to adequately address their needs.
- According to the Ontario Ministry of Finance medium-growth scenario, the GTA population is expected to grow by 1.27 million by 2031, which is an extra 445,920 above growth over the previous 10-year period.

Existing Rental Stock

Over 90% of Toronto's purpose-built rental housing stock was built between 1960 and 1979. Based on Census data, in 2021, there were 557,970 occupied rental homes in Toronto, approximately 46% of which have been built as purpose-built rentals while the rest fall under the secondary market.

The ending of the federal tax code (which provided indirect incentives support purpose-built rental) in the mid-1970s, the ending of the federal Canada Rental Supply Plan subsidy program in 1984, and federal withdrawal from social housing in the 1990s, are some key policy actions which significantly reduced the rate of delivery of purpose-built rental supply in Toronto and across the Canada compared to pre-1980 levels.

Due to an insufficient number of new purpose-built rental homes being developed since late 1990s, rental condos represent an increasing share of the city's rental housing inventory (120,825 units in 2022). The number of rental condominiums increased by 19% (19,130 units) between 2018 and 2022, while the number of purpose-built rental units increased by 4% (11,640 units) during the same period.

Whereas rents charges for secondary rentals such as condominiums are typically more expensive than purpose-built rental homes, they have been filling a gap for renter

households with higher incomes. However, these units do not address the housing needs of low-and-moderate-income households, provide less security of tenure for renters, and are typically smaller, impacting average household size and livability.

Challenges in Scaling Up Purpose-Built Rental Supply

Delivering more supply across the entire housing spectrum, with a particular focus on purpose-built affordable and market rental housing, is critical to addressing the city's housing challenges. However, as mentioned above, the business case for condominium compared to purpose-built rental housing projects have led to significantly more condo units being delivered over the past three decades. This includes:

- **Initial investment/equity required** - Condos are often sold before they are built providing developers with the initial capital/equity needed to finance the construction costs. On the other hand, purpose-built rental projects require developers to provide upfront equity to enable construction financing.
- **Rate of returns/developer yields** - Upon completion, a condo will typically provide a higher yield and it will be faster. Purpose-built rental projects, on the other hand, often require a longer period to achieve similar returns.
- **GST/HST** - For condominium projects, the GST/HST costs are passed on to purchasers whereas with purpose-built rental projects, the costs are borne by the developer/operator throughout the development and operating phases of projects (i.e. GST/HST cannot be collected on long-term residential rents). This cost results in an increase in the amount of rental revenue required by the developer/operator to make purpose-built rental project financially feasible/attractive. For the rental market as a whole, the consequence is that rents end up being higher and there is less supply. For low-income renters specifically, who are the intended beneficiaries of the federal government's decision to exempt rents from the GST, rents end up being higher than they can afford and there is less suitable housing choices due to insufficient supply.

While there has been an increase in purpose-built rental homes over the past 5 years, likely due to the availability of low-cost financing through National Housing Strategy programs, recent data from [Urbanation](#) shows that purpose-built rental construction starts in the GTA fell 54% in 2022 to 3,442 units after reaching a multi-decade high of 7,557 starts in 2021. This is primarily due to the sharp increases in interest rates and construction costs, making projects, particularly purpose-built rental projects, more challenging to deliver. To highlight these challenges:

- Construction costs have increased 63% since 2019 (over 20% year-over-year) making Toronto the most expensive city to build high-rise residential in Canada.
- Construction costs have also increased nearly four times faster than rents over the last three years.
- Interest rates have increase by 63% since 2019.
- As reported in the City's recent [2022 Q2 Development Pipeline](#) report, between January 1, 2017 and June 30, 2022, 203,793 residential units were approved but not yet built and 103,638 residential units were built in projects with development activity.

- The [City's Housing Data Hub](#) shows that since 2017, 19,756 affordable rental units have been approved by the City, 1,617 have been built, 2,964 are under construction and 15,175 are in the pipeline to be developed.

Intergovernmental Action and Supply Goals

All three orders of government have recognized that increasing purpose-built affordable and market rental supply is necessary to support population growth, and sustain the economic and social fabric of Toronto and the region, the rest of Ontario and Canada as a whole. Specifically,

- Based on the Ontario Growth Plan's growth forecasts, Toronto is required to plan for growth to accommodate a minimum of 700,000 people by 2051.
- Bill 23 established a target of building 1.5 million new homes in Ontario by 2031, of which 285,000 homes (or 19%) are targeted for Toronto.
- The National Housing Strategy has established a target of 160,000 new homes nationally.
- A recent report from CMHC titled, [Canada's Housing Supply Shortage: Restoring affordability by 2030](#), suggest that an additional 1.85 million affordable housing units are needed in Ontario by 2030 to restore affordability.
- The City of Toronto's HousingTO 2020-2030 Action Plan has established a target of approving 40,000 new affordable rental homes by 2030.

The recommendations in this report include a number of urgent actions required from the City, the federal and the provincial government in order to increase the supply of new purpose-built affordable and market rental homes, within complete communities.

In the medium and longer terms, in order for each order of government to meet their growth targets and address housing affordability challenges, significant new financial investments and new policy tools will be needed.

Rental Housing Opportunities Roundtable

In response to Council's request in [Item 2022 EX34.1](#) for staff to get advice from a range of stakeholders on how the City and other orders of government can encourage a greater supply of purpose-built rental housing, the Housing Secretariat initiated a Rental Housing Opportunities Roundtable ("Roundtable") in January 2023.

Attachment 4 is copy of the independent 'Perspectives on the Rental Housing Roundtable' report written by academic consultants Matti Siemiatycki and Karen Chapple, reflecting recommendations made by the group plus their own advice on how to unlock the rental housing market.

Key recommendations which have informed the Housing Now Initiative program enhancements outlined in this report include:

1. **Recognize that there are two rental affordability crises – workforce and low-income – with similar causes but different implications for action.**

- a. Support the vital non-profit sector role in providing deep affordability.
 - b. Optimize and coordinate funding for homelessness across agencies.
 - c. Support the purchase of existing affordable rental buildings through the Multi-Unit Residential Acquisition program and other mechanisms.
- 2. Align efforts across levels of government and collaborate to achieve goals.**
- a. City to study the housing supply, development viability and budgetary implications of providing development charge and other municipal fee relief for for-profit purpose built rental projects that secure a share of affordable housing units, beyond what is already contained in the Open Door and Housing Now programs.
 - b. Tweak the Federal Government's Co-Investment Fund and Rental Construction Financing Initiative to work better in the Toronto context.
 - c. Streamline access to Canadian Infrastructure Bank funding to support community infrastructure and green affordable housing retrofits.
 - d. Provide a CMHC mortgage product that is below Bank of Canada rates, which could be achieved by buying down rates being offered through affordable housing funds created by banks and credit unions.
 - e. Waive HST/GST on new affordable rental and defer HST/GST on market rental units (re-payable after first 10 years).
 - f. Provide deeper subsidies for affordable rental in provincial and federal housing programs to help Toronto's non-profit sector.
 - g. Study the reasons why nearly half of all residential units approved annually on average over the past five years were not built, and examine the trade-offs of a 'use it or lose it' policy to incentivize developers to construct the units that have been approved.
- 3. Revisit planning regulations and policies to identify areas for streamlining and flexibility**
- a. Continue to implement rental replacement (Section 111) but with increased flexibility (e.g., off-site replacement within a certain radius) for developers building significant numbers of new rental units.
- 4. Level geographic playing field to incentivize infill across all of Toronto's neighbourhoods.**
- a. Assign different levels of incentives (additional density, fee waivers, permit streamlining) to different neighbourhoods across Toronto.
 - b. Assign purpose-built rental targets (both affordable and market-rate) to different neighbourhoods, with rewards (e.g., new funds for capital investments) to council districts that achieve targets.
- 5. Connect any developer incentives to long-term affordability benefits**
- a. Consider additional density, as appropriate, and fee waivers that correlate to the years of affordability guaranteed (25, 40, or 99).
- 6. Commit significant funding to effective initiatives.**
- a. Consider issuing a social housing bond for the City of Toronto.
 - b. Encourage impact investors to create Social Purpose Real Estate Funds to support non-profit, co-op and community land trust housing projects.

Housing Now Initiative - Program Achievements To-date

1) Getting to Construction

The Confidential Attachment 1 to this report recommends some site-specific program changes in order to move the three sites located at 50 Wilson Heights Boulevard, Bloor-Kipling (Six Points) Block 1 (5207 Dundas Street West) and 140 Merton Street towards start of construction. Subject to Council's approval of these recommendations, it is anticipated that construction will begin in 2023 and early 2024.

2) Sites Ready for Market Offering

A total of 5 additional sites have been re-zoned and are ready to be offered on the market, which could add a potential 3,633 additional residential units, with up to 1,211 affordable rental units, should funding and financing be available to unstick these sites.

Subject to Council's approval of the recommendations in this report, the City being reimbursed by the province for the financial impacts of Bill 23, and CMHC making the requested RCFI and Co-Investment program changes outlined/requested in Recommendation 26, it is anticipated that the remaining 5 sites can be offered on the market in 2023 and 2024.

Confidential Attachment 2 to this report outlines the list of potential sites to be offered in 2023/24 as well as the financial assumptions related to each site.

3) Exceeding Unit Targets

In 2022, the City and CreateTO continued to undertake detailed due diligence, business case review and planning framework amendments in support of Housing Now sites and Council's direction to optimize the use of City-owned land for the delivery of new affordable housing. Through a review of heights and densities and the planning process, the sites that have advanced to statutory public meeting and recommended zoning by-laws have achieved unit yield targets above initial estimates that were presented to Council, with the exception of the Don Mills Road sites, whose development areas have been affected by the Ontario Line alignment and the opportunity to include a Toronto District School Board elementary school. The information on unit yields is outlined in Table 3, below.

Table 3: Sites that have achieved additional affordable rental units through re-zoning

Site	Initial Estimates (EX1.1, CC21.3)		Approvals To-date	
	Residential Unit Yield	Affordable Rental Units	Residential Unit Yield	Affordable Rental Units
140 Merton Street	150	75	184	90

	Initial Estimates (EX1.1, CC21.3)		Approvals To-date	
777 Victoria Park Avenue	450	225	589	254
705 Warden Avenue	450	225	600	250
50 Wilson Heights Boulevard	1,150	385	1,484	520
Bloor Kipling (Blocks 1 & 5)	1000 (approx.)	333	1,296	388-413
405 Sherbourne Street	180	60-90	267	89-133
150 Queens Wharf Road	200	66-100	266	94-141
158 Borough Drive	400	132-200	687	229-322
770 Don Mills Road	1,389	465	1,254	418
805 Don Mills Road	988	331	840	280

4) Supporting project viability through planning tools

In addition to reviewing sites to optimize density, City Planning has undertaken the following to support project viability:

- Municipal fees and charges:** As noted in the Financial Impact section of this report, Housing Now developments have been exempted from the Community Benefits Charge and parkland dedication through Council’s decision on Growth Funding Tools.
- Parking and construction costs:** All sites being brought forward for re-zoning will be subject to the residential parking rates as set out in the City-wide By-law 89-2022, which does not set residential parking minimums in new developments. Application of the parking rates in by-law 89-2022 supports the City’s TransformTO targets with respect to the reduction of personal vehicle use and reduces construction costs by minimizing the requirement for construction of underground parking levels.
- Flexibility to increase unit yield:** All zoning by-laws are based on gross floor area of on-site uses. By-laws do not include maximum unit permissions, which may enable projects to increase the unit yield through the Site Plan Application stage and through detailed design without necessarily triggering variances.

5) Updated Community Engagement Approach

An Updated Community Engagement Approach for Housing Now sites was approved by the CreateTO Board at its meeting on March 27, 2023 through [Item 2023.RA3.3](#). The approach emphasizes the important contribution that the Housing Now Initiative makes towards achieving the HousingTO 2020-2030 Action Plan and Housing Action Plan 2022-2026 housing goals. It is also centred on providing clear communication to proactively address misinformation and misunderstandings about the Initiative and to communicate that the purpose of engagement is not about approval of the site or the affordable homes the City is striving to offer, but instead about how community members and stakeholders can best support the success of the Housing Now Initiative.

Outreach will identify local community leaders and organizations who can become project advocates and champions. Local communities will be invited to join in planning for and welcoming Housing Now developments and engagement will focus on gathering feedback on how to successfully integrate Housing Now developments into local neighbourhoods. Additionally, the approach places a strong emphasis on relationship building, grassroots community engagement and creating multiple mechanisms for connecting with residents who are often less likely to participate in public engagement processes, including equity-deserving groups. All sites will also meet the Official Plan requirement to be the subject of an open community consultation meeting where the development proposal is presented and discussed prior to the statutory public meeting under the *Planning Act* at the Planning and Housing Committee.

2023 Program Enhancements: *Unlocking Supply in a Constrained Housing Market*

In order to achieve its objectives, the Housing Now Initiative must continue to evolve in response to the rapidly changing macroeconomic and regulatory context impacting housing delivery.

Based on the advice of Roundtable members (including CreateTO and City staff), below is a list of proposed changes to the program, to be implemented throughout 2023 subject to Council approval, in order to activate sites and get shovels in the ground. Staff will continue to monitor the impact of these changes and provide an update to City Council by Q2 2024, along with recommendations for any additional program enhancements that may be required.

- **Mix of tenure:** The program currently requires that at least one-third affordable and one-third market rental homes be achieved. In order to support project viability in the current constrained market, it is proposed that the one-third affordable rental housing be maintained as a target, with added flexibility on the market mix (i.e. market rental and condos).
- **Site-by-Site approach:** Due to the macroeconomic challenges noted in this report and the difference in geographic and sub-market conditions (e.g. rents, land values, etc.), a site-specific approach is needed to ensure successful

delivery of new housing supply in all neighbourhoods across the city. Staff will continue to assess projects on a site-by-site basis and look for solutions to unlock supply. Non-profit projects, including projects that increase housing opportunities for equity-deserving groups, and projects that deliver the greatest number of affordable rental units, will continue to be prioritized for any available funding and incentives.

- **Affordability:** The current program affordability target is 80% average market rent, as determined by CMHC annually. It is proposed that this target be maintained, with up to 20% of the affordable units made available to households in receipt of a housing benefits. This will allow for deeper levels of affordability to be achieved for eligible households, including those with low-and-moderate incomes, by layering on housing benefits (i.e. to achieve rents based on incomes) contributing to a mixed income community.
- **Unit mix:** The current target is approximately 55% of units to be 1-bedroom units; approximately 35% to be 2-bedroom units; and approximately 10% to be 3+ bedroom units. This report recommends that future projects be permitted to accommodate up to 10% of the 1-bedroom units as studios, which may be reviewed in the context of the provision of supportive housing on certain sites and for staff to provide greater flexibility on the mix of units, to be assessed on a site-by-site basis and based on the intended tenant group.
- **Unit sizes:** Currently, unit sizes are delivered in accordance with the Affordable Housing Design Guidelines for affordable units and the City Council adopted Growing Up Guidelines, which applies to a percentage of 2-bedroom and 3-bedroom market units. It is recommended that for Housing Now sites, the unit sizes and design requirements be established for each site, with a priority placed on meeting the needs of the intended tenant demographic, optimizing livability and ensuring appropriately-sized family units.

Conclusion and Next Steps

While macroeconomic factors, provincial legislative changes and changes to CMHC programs are making it increasingly difficult for the City to deliver the Housing Now Initiative and other housing supply programs, the need for safe, adequate and affordable homes for current and future residents continues to grow. As such, immediate and coordinated action across all orders of government is urgently needed to remove hurdles and unlock housing supply, especially purpose-built rental projects that are 'shovel ready'.

This report outlines a number of key actions required by all orders of government to support delivery of a number of Housing Now sites. This includes: grant funding from all orders of government reflective of geographic-specific market conditions and the need to add new housing opportunities in all areas of the city; changes to CMHC programs to respond to changing macro conditions; adjustments to the Housing Now program requirements in 2023, with a review in 2024; changes to the Canada Infrastructure to support housing projects and optimize federal funds; and relief from HST/GST for

purpose-built rental projects. City and CreateTO staff will also continue to monitor market conditions, to identify the best time to introduce new sites to the market.

Without coordinated and sustained action across all orders of government and an urgency to act, the City of Toronto, the Government of Ontario and the Government of Canada will be challenged to meet their respective housing supply, economic and population growth targets, and, most importantly, to provide the type of housing needed for individuals and communities to thrive.

CONTACT

Valesa Faria, Director, Housing Strategy & Policy, Housing Secretariat
416-392-0602; Valesa.Faria@toronto.ca

Kerri Voumvakis, Director, Strategic Initiatives, Policy & Analysis, City Planning, 416-392-8148, Kerri.Voumvakis@toronto.ca

Don Logie, Chief Development Officer, CreateTO (416) 981-2896, dlogie@createto.ca

SIGNATURE

Abi Bond
Executive Director, Housing Secretariat

ATTACHMENTS

Confidential Attachment 1 - Bloor-Kipling Block 1 (5207 Dundas Street West), 50 Wilson Heights Blvd. and 140 Merton Street - Business Case Summary

Confidential Attachment 2: Details on Housing Now Sites Identified for Market Offerings in 2023/24

Attachment 3: Housing Now Project Status Update and Unit Tracker

Attachment 4: Perspective on the Rental Housing Roundtable Report