

Build More Homes: Expanding Incentives for Purpose Built Rental Housing- Supplementary Report

Date: November 12, 2024

To: City Council

From: Executive Director, Housing Secretariat

Wards: All

SUMMARY

The Executive Committee considered and adopted without amendments the "Build More Homes: Expanding Incentives for Purpose Built Rental Housing" report on November 5, 2024. This supplementary report provides City Council with updates on the implementation process of the Purpose-built Rental Housing Incentives stream, under the Rental Housing Supply Program, in consideration of the feedback received from the development sector since the consideration of the report by the Executive Committee.

This report provides updated information and clarification regarding the roll-out of the Purpose-built Rental Housing Incentives stream, including the review and approval process. In particular, the implementation approach for the first 7,000 rental homes (Phase 1 Quick Start) is proposed to be shifted from a first-come, first-served review and approval process to a process that will set a limit for the number of projects by the same organizations that can be reviewed, and that includes criteria to prioritize projects that can demonstrate higher levels of certainty around securing construction financing and earlier construction start timelines.

RECOMMENDATIONS

The Executive Director, Housing Secretariat recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There is no financial impact arising from recommendations in this supplementary report.

DECISION HISTORY

At its meeting of November 5, 2024, Executive Committee considered and adopted without amendments EX18.2 - Build More Homes: Expanding Incentives for Purpose Built Rental Housing" report from the Deputy City Manager, Development & Growth Services, and Chief Financial Officer and Treasurer. The report recommended City Council unlock 20,000 new rental homes comprised of 16,000 new purpose-built rental homes, and 4,000 affordable rental homes, primarily on private land, through a New Purpose-Built Rental Homes Incentives stream (as part of the recently approved Rental Housing Supply Program).

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX18.2>

COMMENTS

The "Build More Homes: Expanding Incentives for Purpose Built Rental Housing" report recommends City Council unlock 20,000 new rental homes comprised of 16,000 new purpose-built rental homes, and 4,000 affordable rental homes, primarily on private land.

These 20,000 new homes are proposed to be delivered under a new Purpose-Built Rental Homes Incentives stream (as part of the recently approved Rental Housing Supply Program). A minimum of 20% of these homes will be provided as affordable rental homes, meeting the City's new income-based definition of affordable rental housing, and be secured for a target of 99 years and a minimum of 40 years.

To move immediately to action, this report also recommended City Council:

- Support 7,000 new rental homes comprised of 5,600 purpose-built rental homes, and at least 1,400 affordable rental homes, to be identified through a rapid call for applications which will be released immediately upon Council approval (Phase 1 Quick Start);
- Approve a New Multi-Residential Property (Municipal Reduction) Tax Subclass consistent with EX16.8, and direct staff to implement a 15% property tax reduction for all new purpose-built rental developments for a 35-year period as part of the 2025 budget process; and
- Immediately support the 5,600 purpose-built rental homes by deferring development charges otherwise payable in respect of an eligible development, for as long as the development maintains the rental tenure.

The staff report from Deputy City Manager, Growth Services and Chief Financial Officer and Treasurer (dated October 30, 2024) included recommendations for a Quick Start Call for Application to be released to identify and support up to 7,000 new rental homes including at least 20% affordable rental homes (a minimum of 1,400). Subject to Council adoption of the report, City staff also outlined a process to immediately release a Call for Applications where projects that can demonstrate meeting the minimum eligibility criteria will be approved on a first-come first served basis.

Preliminary Feedback and Questions from the Development Sector

Since the consideration of EX18.2 at the Executive Committee, City staff have received additional questions regarding eligibility criteria, as well as feedback and comments indicating significant interest in participating in the Quick Start Call for Application process.

Additional eligibility-related questions have included how proponents can achieve the minimum requirement to allocate 20% of total units as affordable rental homes. The following key points provide additional clarification regarding eligibility **under the Quick Start (Phase 1) Call for Applications**:

- Projects that are required to provide or have secured the provision of new affordable rental housing (e.g. by way of another City policy) would be eligible to include the affordable units towards the minimum 20% requirement, provided they exceed the affordability parameters required for the development. This would include projects that are required to provide affordable housing as a result of Official Plan or Secondary Plan policies or site and area specific policies, as well as projects that elect to provide affordable units as an in-kind community benefits charge.
 - For example, if a project was required to provide 5% of units as affordable housing at the income-based definition for 99 years, these units could be counted towards the 20% requirement, however no City incentives would be available for the 5% affordable units. Alternatively, if a project was required to deliver 5% of units for 25 years, these units could be counted towards the 20% requirement and they would be eligible for City incentives to extend the affordability period from 25 to at least 40 years.
- Projects that are required to provide replacement rental housing would not be eligible to include any replacement units towards the minimum 20% affordable homes required in the proposed new project, as the main purpose of the Rental Housing Supply Program is to create net new rental homes.
- Development projects that are subject to office replacement requirements and propose affordable housing as an alternative use are not eligible to participate in the Quick Start Call for Application. Official Plan policies related to office replacement, including eligibility for relief from office replacement requirements for projects delivering affordable rental housing, are currently under review, and subject to Council consideration and approval.

As part of the preliminary feedback, staff have been informed of potential eligible projects that include thousands of purpose-built rental homes that could benefit from the Purpose-built Rental Housing Incentives stream. Given the limited number of rental homes that can be supported directly by the City through the Quick Start Call for Application (up to 5,600 purpose-built rental homes and a minimum of 1,400 affordable rental homes), staff have considered a number of updates in the implementation approach that should be considered as supplementary information with the staff report from Deputy City Manager, Growth Services and Chief Financial Officer and Treasurer (dated October 30, 2024). These include:

- Introducing a limit of two projects per proponent that can be reviewed under the Quick Start Call for Application. A project is defined as housing developments with the same development site, planning application, and/or as considered within the same construction financing loan.
- Incorporating a prioritization approach to the Call for Application (versus a first-come, first-served review and approval process) where all submissions will be reviewed for completeness and eligibility as they are received and following the closing date of the Call for Application, will be prioritized based on the following criteria:
 - Construction financing status with highest priority provided to projects that have received confirmation from Canada Mortgage and Housing Corporation (CMHC) or other lenders. Proponents will be required to include any additional details regarding the status of their construction financing applications with CMHC and other lenders along with explicit consent for the City to verify the information, as needed.
 - Construction start date with highest priority provided to projects that can demonstrate construction start earlier (compared to other eligible projects). Proponents will be required to include any additional details to support the feasibility of the noted construction start date. The City will reserve the right to verify this information with relevant City divisions as needed.

The Call for Application process, as noted in the staff report from Deputy City Manager, Growth Services and Chief Financial Officer and Treasurer (dated October 30, 2024), will be a time-limited process to rapidly identify eligible projects to secure construction financing and reach construction start, while also ensuring that future rounds of projects under the program are built on a sustainable foundation of tri-government support.

Subject to approval of EX18.2 by City Council, staff anticipate the Quick Start Call for Application to be released on November 18, 2024 and close on November 29, 2024. The Quick Start Call for Application will re-open if the City does not reach its target of approving 7,000 rental homes, including up to 5,600 purpose-built rental homes, at which point proponents can apply for additional projects.

A webpage has been created at www.toronto.ca/RentalSupply to provide timely updates and information about the implementation of the Rental Housing Supply Program, including the upcoming Call for Applications for City financial contributions including capital funding and incentives for rent-geared-to income, affordable rental, rent-controlled, and purpose-built rental housing projects.

Additionally, staff in Housing Secretariat will collaborate with City Planning and Environment & Climate to ensure applicants approved under the Rental Housing Supply Program are provided with information on the benefits of, and strategies to, improve the sustainability and energy efficiency of their buildings and available financial incentives to achieve higher performance buildings.

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SIGNATURE

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