

Advancing Phase One of the Purpose-built Rental Housing Incentives Stream

Date: December 17, 2024

To: City Council

From: Executive Director, Housing Secretariat

Wards: All

SUMMARY

On November 13-14, 2024, City Council adopted "EX18.2 - Build More Homes: Expanding Incentives for Purpose Built Rental Housing" report approving a new stream under the Rental Housing Supply Program to support purpose-built rental housing developments across the city. City Council directed staff to launch a "Quick Start" Call for Applications to support 7,000 new rental homes including at least 1,400 affordable rental homes, and report directly to City Council on December 17-19, 2024, with an update on the results of the Call for Applications.

The Call for Applications for Purpose-built Rental Housing Incentives stream opened on November 18 and closed on November 29, 2024, receiving 75 applications in 21 wards representing over 32,600 purpose-built rental homes, and over 7,400 affordable rental homes. This volume of applications significantly exceeded expectations and is indicative of the interest in the housing development sector to build purpose-built rental homes when additional support is provided, and therefore the need for immediate action by all orders of government to further support the development of new purpose-built rental housing.

Staff prioritized applications based on Council-adopted considerations including financing status of the project, development review status and estimated construction start date, and the organization's experience in securing construction financing. As a result, 17 applications are approved to receive City benefits available through the Quick Start Call for Applications. These projects represent:

- 2,024 affordable rental (1,047 net new) homes.
- 6,153 purpose-built rental (6,128 net new) homes.
- For a total of 8,177 (7,175 net new) rental homes.

There are 58 additional applications, representing approximately 24,450 rental homes (including at least 20% as affordable rental homes), that could be supported through Phase Two of the Purpose-built Rental Housing Incentives stream. The approval of

these new rental homes is subject to the Province of Ontario providing a Build More Homes Rebate to the City, equivalent to the value of development charges payable and 85% of property taxes owed by eligible projects for 35 years.

This report provides an update on the Call for Applications and a summary of the applications approved. Through this report, staff are recommending Council authorize the Executive Director, Housing Secretariat to approve an additional 528 purpose-built rental homes in the prioritized projects beyond the 5,600 purpose-built rental homes approved in EX18.2.

Additionally, the staff report recommend City Council exempt the affordable rental homes approved through the Purpose-built Rental Housing Incentives Stream from taxation for municipal and school purposes for the affordability period of those affordable rental homes.

The level of interest the City received through this Call for Applications demonstrates that the financial incentives available through the Purpose-built Rental Housing Incentives stream can support a variety of purpose-built rental projects to advance through the development process, as well as the potential for new partnerships between the City and rental development sector to build more homes. To expand the impact of this program, all orders of government must work together to create the conditions and policy direction that will support a generational shift in Toronto's housing system to build a range of purpose-built and affordable rental homes for residents today and in the future.

RECOMMENDATIONS

The Executive Director, Housing Secretariat recommends that:

1. City Council authorize the Executive Director, Housing Secretariat to approve a deferral of development charges payable for 528 purpose-built rental units (in addition to 5,600 purpose-built rental units approved in EX18.2).
2. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Financial Officer and Treasurer, to enter into agreements, pursuant to Section 27 of the Development Charges Act, to defer the payment of development charges payable in relation to purpose-built rental units within projects approved through the Call for Applications described in Part 1 above, for as long as they remain as purpose-built rental projects containing at least 20 percent affordable units and on such other terms and conditions as may be satisfactory to the Executive Director, Housing Secretariat and in a form satisfactory to the City Solicitor.
3. City Council authorize an exemption from taxation for municipal and school purposes under the terms of the Rental Housing Supply Program for the affordable rental homes located within the developments and for the periods of time described in Table 2 in the report (December 17, 2024) from the Executive Director, Housing Secretariat.

4. City Council authorize the Deputy Treasurer to cancel or refund any taxes paid after the effective date of the exemption from taxation for municipal and school purposes as set out in the applicable municipal housing facility agreement (the City's Contribution Agreement).

FINANCIAL IMPACT

As outlined in the EX18.2 report, the estimated value of the indefinite deferral of development charges for 5,600 purpose-built rental homes is \$210.8 million. All new purpose-built rental homes will be included in the New Multi-Residential Property (Municipal Reduction) Tax Subclass and will receive a 15% reduction in property taxes for 35 years, subject to Council's consideration of property tax matters during the 2025 budget process. The estimated value of a 15% reduction over a 35-year period for 5,600 units is \$114.2 million.

Additionally, the City's contributions towards these purpose-built rental homes will complement financial incentives for the at least 1,400 affordable rental homes to be delivered through this call (estimated at \$136.2 million, including foregone property taxes for 40 years and waived planning and building fees).

Following the conclusion of the review and prioritization process, 17 applications representing 2,024 affordable rental (1,047 net new) and 6,153 purpose-built rental (6,128 net new) homes are approved to receive City benefits.

As outlined in Table 1 below, this report recommends an additional 528 purpose-built rental homes be included in Phase One of the program, which is estimated to result in an additional \$19.9 million in the value of deferred development charges. As noted above, all properties within the New Multi-Residential Property Subclass will also be eligible to receive a 15% rate reduction, subject to Council's approval of annual property tax rates, regardless of their inclusion in the Purpose-built Rental Housing Incentives stream.

The City of Toronto's capacity to absorb the financial impact associated with supporting new purpose-built rental homes, without adversely affecting planned and essential capital infrastructure projects is limited due to existing fiscal constraints. Actual financial impacts will be subject to specific project development, including the mix of unit types (e.g. studio, 1-bedroom, 2-bedroom etc.).

Table 1: Financial Impact Overview

Type	# of Units Pre-approved in EX18.2	Financial Benefits / Incentives	Estimated Value of Incentives (\$M)	# of Net New Units in Approved Projects through the Call for Applications	Adjusted Estimated Value of Incentives (\$M)	Adjusted Impact (\$M)
Purpose-Built Rental Homes	5,600	Property Tax Exemption (35 years) ¹	\$114.2	6,128	\$125.0	\$10.8
		Value of Development Charges ²	\$210.8		\$230.6	\$19.9
Affordable Rental Homes	1,400	Property Tax Exemption (40 years) ³	\$133.2	1,047	\$99.6	-\$33.6
		Waiver of Planning & Building Fees ⁴	\$3.0		\$2.2	-\$0.7
Total	7,000	Total Phase 1 Financial Impact	\$461.1	7,175	\$457.5	-\$3.7

¹ 15% property tax reduction for 35 years based on an assumed CVA of \$405,000 per unit.

² Includes the estimated value of deferred development charges based on unit mix of 25% studio, 45% 1 bed, 20% 2 bed, 10% 3 bed units, and calculated using 2024 rates.

³ Calculated using the average property tax reduction value based on an assumed CVA of \$231,439 per unit, for 40 years affordability.

⁴ Includes value of planning and building permit fees, and excludes exemption of development charges, parkland dedication, and community benefits charge as required through the Development Charges Act/Bill 23.

This report reflects the total amount the City can afford to deliver on its own through the new Purpose-built Rental Housing Incentives Stream. The City continues to request provincial and federal support to ensure further incentives are made available to unlock an additional 13,000 units in Phase Two.

Property Tax Exemption for Affordable Rental Homes

Municipal property tax relief is recommended for the affordability term of the rental homes (ranging from 40-99 years). Ongoing municipal property tax exemption is

conditional on successful proponents' compliance with the terms and conditions of the City's Contribution Agreement over the affordability period.

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

EQUITY IMPACT STATEMENT

Ensuring all new City-supported purpose-built rental developments include 20% affordable rental housing will increase the opportunity for 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 rental housing opportunities for essential workers and families will also be created through the Rental Housing Supply Program. The support for new purpose-built rental developments contained in this report complement other programs and policies that provide even more City benefits to other housing types along the housing continuum.

The City prioritizes the greatest levels of investment and support for projects and community housing partners that deliver homes affordable for residents in greatest need, including rent-geared-to-income and supportive homes for people experiencing homelessness. 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 of June 26, 2024, City Council adopted Item PH13.8 – “Launching the Rental Housing Supply Program” and approved a new Rental Housing Supply program to support the delivery of more RGI and affordable rental homes, and rent-controlled homes delivered by the community housing sector; capital funding for 18 affordable rental and RGI housing projects; and the development of a new Community Housing Pre-development Fund. Council also directed staff to report back on consultations with development industry stakeholders on additional options to support the delivery of purpose-built rental homes, including in partnership with federal and provincial governments. <https://secure.toronto.ca/council/agenda-item.do?item=2024.PH13.8>

At its meeting of November 13-14, 2024, City Council considered and adopted without amendments a report titled "EX18.2 - Build More Homes: Expanding Incentives for Purpose Built Rental Housing" from the Deputy City Manager, Development & Growth Services, and Chief Financial Officer and Treasurer. City Council endorsed a plan to 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

City Council aims to unlock 20,000 new rental homes comprised of 16,000 new purpose-built rental homes, and 4,000 affordable rental homes, 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.

The implementation is planned in two phases so that eligible projects are rapidly identified and supported to secure 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.

In "Phase One: Quick Start Call for Applications", Council directed staff to identify 7,000 new rental homes comprised of 5,600 purpose-built rental homes, and at least 1,400 affordable rental homes (Phase 1 Quick Start).

Projects approved under Phase 1 Quick Start will receive the following City benefits:

- Affordable rental homes - waivers of planning applications fees, building permit fees, parkland dedication fees, and exemption of development charges, Community Benefit Charges and property taxes (for the duration of affordability).
- Purpose-built rental homes- indefinite deferral of development charges (for as long as rental tenure is maintained), and inclusion in the New Multi-Residential Property Tax Subclass, with an intent to provide a 15% property tax reduction for 35 years.

Phase Two is dependent on securing sustained financial support from the Province of Ontario to deliver an additional 13,000 new rental homes, including at least 2,600 affordable rental homes. City Council requested the Province to provide a Build More Homes rebate to the City equivalent to the value of development charges payable for purpose-built rental homes under the program, plus the value of property taxes beyond the 15% reduction described in this report, up to a 100% exemption for purpose-built rental homes. Delivering 20% affordable rental homes (2,600 homes) in addition to the 10,400 purpose-built rental homes in this stage also enables the City to provide City benefits towards the affordable rental homes in these projects.

Phase One - Call for Application Process and Results

The Call for Applications for Purpose-built Rental Housing Incentives stream opened on November 18 and closed on November 29, 2024, receiving 75 applications in 21 wards representing approximately 32,600 rental homes, and over 7,400 affordable rental homes.

Staff reviewed the applications for eligibility and completeness and worked to verify the information with various divisions as well as funding and financing sources identified by the Applicants. Following the review, staff prioritized eligible and complete applications based on the following considerations:

- Financing status of the development project.
- Development review status and readiness for construction start.
- Financing experience of the organization, including Frequent Builder status (as designated by Canada Mortgage and Housing Corporation, where applicable) - particularly where financing has not been secured.

As the result, the following 17 applications representing 2,024 affordable rental (1,047 net new) and 6,153 purpose-built rental (6,128 net new) homes are approved to receive City benefits available through the Quick Start Call for Applications:

Table 2: List of Approved Projects under Phase One of the Purpose-built Rental Housing Incentives Stream

	Project Address	Applicant Name	Ward	Affordability Period (years)	# ARH	# PBR	Total Rental Homes
1.	26 Gilder Dr.*	26 Gilder Holding Corp.	Scarborough Centre	40	70	271	341
2.	1375 Queen St. W.	1375 QSW LP	Parkdale-High Park	40	13	49	62
3.	72 Perth Ave.	72 Perth Holdings Inc.	Davenport	40	43	168	211
4.	2448-2450 Kingston Rd.	2448-2450 Kingston Road Ltd	Scarborough Southwest	40	8	32	40
5.	2760 Dundas St. W.	2760 Dundas St W LTD.	Parkdale-High Park	40	7	26	33
6.	49 Ontario St.	Dream MPCT 49 Ontario Street 2024 LP	Toronto Centre	40	244	982	1,226
7.	259 Lakeshore Blvd. E., 200 Queen's Quay E., 2 Smart St., and 291 Lakeshore Blvd. E. (Quayside Block 1) *	Quayside Block 1 LP	Spadina-Fort York	99	551	1,267	1,818
8	250 Wincott Dr. and 4620 Eglinton Ave. W. (Building C) *	Montrin Richview GP Inc.	Etobicoke Centre	40	74	296	370

	Project Address	Applicant Name	Ward	Affordability Period (years)	# ARH	# PBR	Total Rental Homes
	8-16 Locust St.	Fengate Asset Management	York South-Weston	40	95	353	448
	2450 Victoria Park Ave.	2450 Victoria Park Avenue Inc	Don Valley North	99	153	591	744
	3377 Bayview Ave. (Tyndale Green) - Phase 1	Tyndale Green Development Limited Partnership	Don Valley North	99	171	173	344
	1886-1920 Eglinton Ave. W.**	1886 Eglinton West Ltd.	Eglinton-Lawrence	40	51	214	265
	60 Fieldway Rd.	Fieldway Road Developments Inc.	Etobicoke-Lakeshore	40	111	442	553
	3379-3385 Lawrence Ave. E.*	Kindred Works	Scarborough-Guildwood	40	47	108	155
	316-336 Campbell Ave.* **	Campont Developments Limited	Davenport	99	63	251	314
	2 Tecumseth St.	WCP V GP Corp	Spadina-Fort York	40	111	441	552
	27 Grosvenor St. & 26 Grenville St.*	Choice Grosvenor/ Grenville Inc.	Toronto Centre	40	212	489	701
Total					2,024	6,153	8,177
Net New Rental Homes Approved for Incentives					1,047	6,128	7,175

* Indicates the project includes previously approved affordable rental homes.

** Indicates the project includes rental replacement units. Rental units required as replacement under the City's Rental Demolition and Conversion Control By-law cannot be counted towards a project's minimum 20% affordable rental units and are not eligible for incentives under the Purpose-built rental housing program.

The majority of applications prioritized represent net new affordable housing projects to the City's affordable housing pipeline. In other cases, prioritized applications are from developments already approved to deliver affordable rental housing however in all cases this program has resulted in an increase in the number of affordable rental homes

proposed in the project; deeper affordability by implementing the lower of new income-based rents and the previously approved affordable rents based on average market rents; or an extended duration of affordability. Additionally, the new incentives through the Purpose-built Rental Housing Incentives stream are expected to “unstick” previously approved projects that have not been able to achieve construction start due to worsening market and economic conditions.

Importantly these incentives will support five previously condominium projects to be converted to purpose-built rental housing and enable other purpose-built rental housing projects to include 20% affordable rental homes, which were not previously planned.

Successful proponents will be required to enter into a development charges deferral agreement to govern the terms of the deferral including repayment in the event of default which would include any attempt to convert the purpose-built rental homes to condominium. The development charges deferral agreement requires that start of construction must be achieved prior to January 1, 2027, or the agreement will terminate and any and all benefits including the deferral of the development charge will be void.

Default under the development charges deferral agreement would also trigger a default under the Contribution Agreement, which secures the proponents’ responsibilities in building and operating affordable rental housing. Where applicable, staff will work with the successful proponents to conduct further due diligence on prior requirements and/or agreements between the proponents and the City as part of the execution of the required agreements.

Projects on City-owned Sites

The City received a number of applications for in-flight projects on City-owned sites. The Housing Secretariat and CreateTO reviewed the existing suite of incentives already in place for projects on City-owned sites. At this time, these sites are not recommended for financial incentives under the Purpose-built Rental Housing Incentives stream. The City and CreateTO remain committed to working with these developers to ensure these projects can advance to construction start and onto completion.

All new purpose-built rental homes will be included in the New Multi-Residential Property (Municipal Reduction) Tax Subclass and will receive a 15% reduction in property taxes for 35 years, subject to Council’s consideration of property tax matters during the 2025 budget process.

Potential for Phase Two of the Purpose-built Rental Housing Incentives Stream

There are approximately 24,450 rental homes in 58 projects submitted to the City that are not approved in the Phase One of the Purpose-built Rental Housing Incentives stream due to limited number of units the City can support within its financial capacity.

Subject to securing provincial support for the Phase Two of the Purpose-built Rental Housing Incentives stream, these eligible projects will be rolled over to the new ongoing Call for Application process and the City will start accepting new applications until all the available incentives are exhausted.

The significant interest in the first phase of the Purpose-built Rental Housing Incentives stream demonstrates the great need for financial support for purpose-built rental developments that will create homes for young families, newcomers, and those working in key professions in the health care system, post-secondary education, the public service, and skilled trades, among others.

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SIGNATURE

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