

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

Staff report to be considered by City Council on December 17, 2024

Housing Secretariat Presentation



Toronto's dual housing crises



Toronto is facing two housing crises:

1. Lack of supportive and deeply affordable rental homes for low-income residents and those experiencing homelessness

2. Middle-income earners, new immigrants, and key workers can't afford to live in the city

Challenges facing Rental Housing Market



New housing developments have stalled due to:

- High interest rates
- Inflation
- High construction costs

Housing starts in Toronto are down 35% year-to-date in 2024 compared to 2023

Demand for rental homes continues to rise

- Number of renter households in the GTA expected to grow by 41% by 2031
- As of October 2023, the vacancy rate in purpose-built rental housing was only 1.4%

What are Purpose-Built Rental Homes?



- Built specifically for rental or long-term tenancy rather than ownership
- Provides tenants with rights and responsibilities under the Residential Tenancies Act
- Subject to City policies protecting the homes and tenants against demolition and replacement



- Differs from the 'secondary market', i.e., condos purchased and rented out by individual owners/investors

85%

**new rental homes created in
past 10 years are from the
secondary market**

- Vacancy rate for condo rentals is 0.7%
- These homes offer less security for renters

Supporting New Purpose-built Rental Housing Developments



- In November 2024, City Council endorsed a **Purpose-built Rental Homes Incentives stream** to support rental housing developments that include at least 20% affordable rental homes through:
 - Indefinite deferral of development charges for purpose-built rental homes (while units remain rental)
 - Implementing a New Multi-Residential Property Tax Subclass to provide a 15% property tax reduction for new purpose-built rental developments for 35 years
- Unlocking 20,000 new rental homes, including 16,000 purpose-built rental and 4,000 affordable rental homes requires tri-government support.



Quick Start Call for Applications



- Council directed staff to launch a “Quick Start” Call for Applications process to identify 7,000 new rental homes, including at least 1,400 affordable rental homes, which the City would support with its own limited resources.
- The Call for Application ran from Nov. 18 to Nov. 29, 2024 attracting:
 - 75 applications in 21 wards across the city
 - Over 32,600 rental homes (including more than 7,400 affordable rental homes)
- Eligible applications were prioritized based on:
 - Financing status of the development project
 - Development review status and readiness to start construction
 - Experience of the organization in securing financing, such as CMHC Frequent Builder Status, particularly where financing has not yet been secured

Quick Start Call for Application Results



- 17 applications across 12 wards are approved.
 - This includes 7,175 net new rental homes, including 1,047 affordable homes
- Seven projects were previously approved to deliver 977 affordable rental homes.
 - Now adding more affordable rental homes, deeper affordability, or longer length of affordability
 - Overall, almost 25% of homes will be affordable.
- Staff recommend Council approve through this report:
 - Development charge deferrals for an additional 528 purpose-built rental homes above the target of 5,600 approved in November (est. at \$19.9 million)
 - Property tax exemption for all new affordable rental homes approved through the Call for Applications (in addition to incentives previously authorized under the Rental Housing Supply Program)

Summary of Results

	Affordable Rental	Purpose built Rental	Total Rental Homes
Original Target	1,400	5,600	7,000
Total Approved	2,024	6,153	8,177
<i>Net New</i>	<i>1,047</i>	<i>6,128</i>	<i>7,175</i>

Potential for Phase Two



- 58 applications representing 24,450 rental homes (including 5,379 affordable rental homes) were submitted but not approved as they exceeded the City's capacity to support through Phase One.
- These rental homes could still be included in the New Multi-Residential Subclass with intent to provide a 15% reduction on property taxes.

Intergovernmental support required:

- **Provincial Government:** 'Build More Homes Rebate' equivalent to the value of development charge exemption and an 85% tax exemption for additional purpose-built rentals homes, estimated at \$1 billion.
- **Federal Government:** Request an allocation of \$7.3 billion in low-cost financing to support 20,000 new rental homes in Toronto.
- **Both Provincial and Federal government** provide \$225.3 million in grant funding towards more affordable rental homes under a Canada-Ontario-Toronto Builds model.

Next Steps



- Working with Successful Proponents of Phase One to finalize legal agreements
- Provide feedback to proponents who were not approved in Phase One.
- Continue working with applicants for projects on City land.

