

## Launching the Rental Housing Supply Program

**Date:** May 30, 2024

**To:** Planning and Housing Committee

**From:** Executive Director, Housing Secretariat

**Wards:** All

### **REASON FOR CONFIDENTIAL INFORMATION**

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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.

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

### **SUMMARY**

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Toronto is facing two housing crises – one where there is a lack of deeply affordable and supportive housing for low-income marginalized and vulnerable residents; and a more recent one in which rising rents have made it increasingly unaffordable for middle income earners, key workers and professionals to live in the city. This was noted by the City's [Perspective on the Rental Housing Roundtable report](#) in 2023. Urgent action across the entire housing continuum is required to prevent more residents, specifically renters, from experiencing housing instability and potentially homelessness; to avoid Toronto's social service sector facing a deepening key worker staffing crisis; and to allow Toronto's businesses to attract the workforce and labour supply they need to grow.

City Council has recognized the need to expand the City's [HousingTO 2020-2030 Action Plan](#) (HousingTO Plan) targets beyond affordable rental homes, to include rent-geared-to-income (RGI) and rent-controlled homes, thereby advancing a generational transformation of Toronto's housing system by 2030. In support of the delivery of a full range of homes, City Council has further directed staff to recommend revisions to the Open Door Affordable Rental Housing program (Open Door program). This report

responds to City Council's request to review the Open Door program in light of the revised HousingTO Plan targets that include RGI, affordable rental, and rent-controlled homes ([2023,EX9.3](#)).

The Open Door program has been the City's signature affordable rental housing initiative since [its launch in 2016](#), and has provided City funding and incentives (including waivers of fees and charges, and property tax exemptions) to support the development of over 21,000 affordable rental homes on public, non-profit, co-op and private land.

The Open Door program has been able to support a healthy [pipeline](#) of affordable rental homes across Toronto, with 1,911 of these homes constructed and an additional 3,011 currently under construction. There are an additional 16,530 homes that are currently stuck in pre-development phases due to requiring additional support, including funding and financing, and acceleration of approvals, to move them into construction.

This report provides recommendations to transform the Open Door program into the Rental Housing Supply Program in light of the updated HousingTO Plan targets, recent legislative changes to the *Development Charges Act (DCA)* through the *More Homes Built Faster Act, 2022* (Bill 23); the *More Homes, More Choice Act, 2019* (Bill 108), and the *Affordable Homes and Good Jobs Act, 2023* (Bill 134); federal and provincial housing policy and funding changes; and the current macroeconomic context which is making it increasingly difficult to adequately scale-up the purpose-built rental housing supply in Toronto.

To respond to the housing and homelessness crises and support City Council's new target for 65,000 rent-controlled homes, this report proposes:

1) Allocating **capital funding to 18 affordable rental and RGI housing projects**, outlined in Confidential Attachment 1, aimed at accelerating delivery of over 2,600 new affordable rental homes. Through this funding, non-viable projects will be able to move to construction start and secure financing. Staff estimate that in addition to unlocking over 2,600 affordable rental homes, a further 3,380 market and rent-controlled rental homes will enter construction for a total of almost 6,000 new rental homes.

2) Launching the new **Rental Housing Supply Program** which:

- Aligns the program definition of affordable rental housing with the [City's Official Plan income-based affordable housing definition](#) and the provincial [Affordable Residential Units Bulletin](#) definition.
- Establishes a framework for prioritizing and recommending capital funding for affordable and RGI rental homes, up to a maximum of \$260,000 per unit.
- Introduces a proposed program definition of rent-controlled homes where rent levels are higher than income-based affordable rents and at or below 150% of the average City of Toronto rent, by unit type, as reported annually by CMHC. This new program definition is consistent with the Official Plan definition of mid-range moderate rents and will include limiting rent increases to the provincial rent increase guideline under the *Residential Tenancies Act, 2006* plus 2%.
- Provides proposed incentives to not-for-profit corporations, non-profit housing co-operatives (co-ops), Indigenous housing providers, (collectively referred to as

“Community Housing Providers” throughout this report), as well as the Toronto Community Housing Corporation (TCHC) and the Toronto Seniors Housing Corporation (TSHC) to support the development of new rent-controlled homes.

3) Launching a **Pilot Community Housing Pre-development Fund** to support the intensification and re-development of Community Housing sites.

4) Working towards launching a sustainable and **revolving Affordable Housing Fund** to attract funding from government and non-government sources including financial institutions, philanthropic organizations, and private sector organizations (including large employers) to support a range of City-supported and City-led affordable rental housing projects.

These measures also complement the “Community Housing Modernization and Growth Strategy” (the Community Housing Strategy) report that is also to be considered by the Planning and Housing Committee at the same meeting on June 13, 2024. The Community Housing Strategy includes concrete measures to support long-term sustainability and affordability of the city's existing community housing stock over the next decade as they navigate expiry of mortgages, ending of land leases with the City, and escalating maintenance costs. The Community Housing Strategy also proposes a number of policy and planning measures aimed at increasing the community housing stock including enhancements to the Multi-Unit Residential Acquisition Program (MURA) to enable Community Housing Providers to better compete in the city's speculative market and to acquire properties that can be operated as affordable rental housing in perpetuity.

The proposed new Rental Housing Supply Program aims to support a shift in Toronto's housing market, where purpose-built rentals are the most common form of rental housing but have contributed the least amount of new supply over the past 10 years. During this time, most new rental supply has derived from condominiums, which according to the [CMHC Rental Market Report](#) are generally more expensive and do not offer the same level of security of tenure for tenants. The proposed new Rental Housing Supply Program also aims to support a generational transformation of Toronto's housing system to shift Toronto's housing system and increase the supply of non-market, community housing.

Despite an increase in purpose-built rental housing starts in 2023, the rental housing supply is not forecast to keep up with demand. Canada Mortgage and Housing Corporation (CMHC) anticipates a decline in housing starts that will persist through 2024 and 2025, reflecting the lagged effect of higher interest rates, labour shortages, and supply chain issues. Toronto is continuing to face high rental demand driven by strong population growth and an increasing number of renter households squeezed out of homeownership market. The rental market in Toronto is expected to remain tight without significant action by all orders of government to facilitate the development of purpose-built rental housing. This proposal responds to stakeholder feedback in the City's [Perspective on the Rental Housing Roundtable report](#), which recommended that the City study additional means of incentivizing purpose-built rental housing supply beyond what is already available in the Open Door program, and recognize the vital role of the non-profit sector in providing affordable housing.

While the City is committed to taking every possible action within its jurisdictional and financial capacity to tackle the housing crisis, strengthened partnerships with the federal and provincial governments are needed to complement Toronto's efforts. Recent federal and provincial measures introduced to support purpose-built rental construction, such as providing a 100% rebate on the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) on new purpose-built rental housing is an example of government policies aligning to advance collective housing objectives.

However, new and enhanced policy, program and financial tools are urgently needed to meet Toronto, Ontario and Canada's respective housing supply targets. This includes a new fiscal deal to support the structural changes that will put Toronto on a path to long-term financial sustainability, as well as a commitment from the federal and provincial governments to invest in the HousingTO Plan.

## **RECOMMENDATIONS**

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The Executive Director, Housing Secretariat, recommends that:

### **New Rental Supply Housing Program**

1. City Council approve the Rental Housing Supply Program, as outlined in this report, to assist the City in achieving its approved rent-controlled, affordable and rent-geared-to-income rental housing targets.
2. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Financial Officer and Treasurer, to provide City financial incentives to eligible rental housing units under the Rental Housing Supply Program, up to the number of rental housing units approved annually through the Housing Secretariat Budget, including exemptions from development charges, parkland dedication fees, community benefits charges, if not exempted by provincial legislation, and waivers of planning application and building permit fees, to eligible housing developments.
3. City Council direct Executive Director, Housing Secretariat, in consultation with the Chief Financial Officer and Treasurer, to develop a review and evaluation process to assess the financial impact of Rental Housing Supply Program applications and recommend approval of financial incentives for Council approval.
4. City Council authorize the Executive Director, Housing Secretariat, to launch a three-year Pilot Community Housing Pre-development Fund, to provide funding to Community Housing Providers for the purpose of undertaking pre-development activities in accordance with guidelines included in Attachment 3 to this report.
5. City Council authorize the Executive Director, Housing Secretariat to approve projects eligible for the Pilot Community Housing Pre-development Fund, in accordance with guidelines included in Attachment 3 to this report, up to the number approved annually through the Housing Secretariat Budget.

6. City Council request the Executive Director, Housing Secretariat, to report to City Council annually on the results of the Rental Housing Supply Program and Pilot Community Housing Pre-Development Fund from the prior year, including any recommended modifications to the programs.

7. City Council adopt the updated Municipal Housing Facility By-law in Attachment 4 to the report from the Executive Director, Housing Secretariat and repeal Municipal Housing Facility By-law 183-2022.

8. City Council authorize the City Solicitor make such stylistic and technical changes to the draft Municipal Housing Facility By-law as may be required.

### **Financial Support for Affordable Rental Housing Projects**

9. City Council authorize the Executive Director, Housing Secretariat, to provide capital funding to the projects listed in Confidential Attachment 1, up to \$260,000 per affordable rental unit, in a total amount not to exceed \$351,515,142.

10. City Council authorize the Executive Director, Housing Secretariat to negotiate and execute, on behalf of the City, the following:

a. a municipal housing facility agreement ("Contribution Agreement") with eligible proponents for funding and financial incentives, and to set out the terms of the development and operation of affordable rental housing, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form satisfactory to the City Solicitor;

b. a municipal housing facility agreement ("Contribution Agreement") or amendments to existing Contribution Agreements with the proponents listed in Confidential Attachment 1, or related entities, for funding and financial incentives and to set out the terms of the development and operation of affordable rental housing, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form satisfactory to the City Solicitor;

c. a pre-development funding agreement with eligible proponents approved under the Pilot Community Housing Pre-development Fund, including the projects outlined in Confidential Attachment 1, to secure the financial assistance and to set out the terms of the pre-development funding, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form satisfactory to the City Solicitor; and,

d. to enter into agreements or other suitable arrangements with City of Toronto agencies and/or corporations, the Government of Ontario and/or its agencies, community agencies, private entities and/or individuals, as appropriate, to deliver projects approved under the Rental Housing Supply Program.

11. City Council direct the Chief Financial Officer and Treasurer, the Executive Director, Housing Secretariat, and the Executive Director, Financial Planning to develop an

implementation plan to establish a revolving Affordable Housing Fund to be overseen and used by the Executive Director, Housing Secretariat in consultation with the Executive Director, Financial Planning to support future rent-geared-to-income and affordable rental housing projects.

### **Expediting Development Review and Legal Due-diligence**

12. City Council request the Executive Director, Development Review Division, in consultation with the Executive Director, Housing Secretariat, Chief Executive Officer, CreateTO and Chief Planner and Executive Director, City Planning, to identify projects approved by the Rental Housing Supply Program that will be reviewed under the Priority Development Review Stream.

13. City Council increase the 2024 Operating Budget for Legal Services Division by \$0.166 million gross and \$0 net, fully funded from the 2024-2033 Capital Budget and Plan for Housing Secretariat and increase the approved staff complement for Legal Services by two permanent positions to support a range of housing initiatives.

### **Intergovernmental Considerations**

14. City Council request the Government of Ontario to support the implementation of the Rental Housing Supply Program, which is also necessary to support delivery of the [Ontario's more Homes for Everyone](#) plan targets, by:

- a. urgently allocating land to develop new purpose-built affordable, rent-controlled and rent-geared-to-income homes and require that as part of any future Provincial land offerings, at least 30% of the gross floor area be allocated for affordable housing for 99 years;
- b. partnering with the Federal Government on their Canada Builds program and the City of Toronto to launch an Ontario Builds housing program and:
  1. allocate between \$500 million and \$800 million per year in grant funding to Toronto over the next seven years;
  2. allocate between \$6.5 billion and \$8 billion in low-cost financing/re-payable loans to Toronto over the next seven years;
  3. provide loan guarantees for non-profit, co-op and public led purpose-built affordable and market rental projects, as well as for affordable homeownership projects;
- c. allowing zoning with conditions to enable the City of Toronto to secure purpose-built rental housing as part of individual site-specific zoning by-laws;
- d. allowing for Inclusionary Zoning to be applied across the city and approve the City's Protected Major Transit Station Areas delineations, and require the homes to meet the City's income-based definition of affordable housing and ensure that affordability is secured for 99 years; and,

e. adopting the City of Toronto’s income-based definition of “affordable housing” and harmonizing all provincial housing programs to create certainty and predictability.

15. City Council request the Government of Canada to support the implementation of the Rental Housing Supply Program, in alignment with [Canada’s Housing Plan](#), and the subsequent 2024 Federal Budget, by:

a. urgently allocating land to develop new purpose-built affordable, rent-controlled and rent-geared-to-income homes and require that as part of any future federal land offerings, at least 30% of the gross floor area be allocated for affordable housing for 99 years;

b. launch the Canada Builds program in partnership with the Province of Ontario and the City of Toronto to:

1. allocate between \$500 million and \$800 million per year in grant funding to Toronto over the next seven years;

2. allocate between \$6.5 billion and \$8 billion in low-cost financing/re-payable loans to Toronto over the next seven years; and,

3. provide loan guarantees for City-supported non-profit and public led purpose-built affordable and market rental projects.

16. City Council direct that Confidential Attachment 1 to the report (May 30, 2024) from the Executive Director, Housing Secretariat remain confidential in its entirety as they: 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.

## **FINANCIAL IMPACT**

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The proposed new Rental Housing Supply Program, transformed from the Open Door program, will significantly increase the supports available to partners interested in delivering RGI, affordable rental and rent-controlled homes. The anticipated financial impacts associated with the Rental Housing Supply Program are provided below.

### **1. Allocating Capital Funding to Affordable Housing Projects Stuck in the Pipeline**

This report proposes allocating approximately \$351 million to the affordable rental housing projects outlined in Confidential Attachment 1 to this report, to unlock and expedite construction starts for approximately 2,606 RGI and affordable rental homes. These homes are anticipated to reach construction start in 2024 and 2025, which will support meeting the City’s commitments under the Federal Housing Accelerator Fund

and the Provincial Building Faster Fund programs. These investments will enable 18 affordable rental housing developments to reach construction start in 2024 and 2025, adding to the 47 projects already funded and under or nearing construction start, listed in Attachment 2.

These projects have previously been approved by City Council for funding or financial incentives under affordable housing programs (including Open Door or Housing Now programs) and require further funding recommended through this report to achieve construction start. The City has undertaken a financial and construction readiness review of all projects, with support from an independent third-party consultant, and in consultation with CreateTO and TCHC. Projects have been prioritized for funding based on readiness to achieve construction start, and scored consistently using a number of criteria that align with the City's HousingTO Plan objectives, including type of proponent, length and depth of affordability, funding request, and access to other government funding sources.

The Housing Secretariat's 2024-2033 Capital Budget and Plan provides a total funding of approximately \$351 million to be re-allocated to the RGI and affordable rental project outlined Confidential Attachment 1, which are scheduled to begin in 2024.

Subject to the adoption of the Rental Housing Supply Program, the City will continue to support RGI and affordable rental homes through the allocation of up to \$260,000 per eligible affordable rental and RGI home. This is the maximum allowable funding allocation under the Rental Housing Supply Program. Actual funding per project will be determined based on the evaluation of applications on a site-by-site basis, in consultation with the Chief Financial Officer & Treasurer, and based on project parameters and additional sources of funding that can be leveraged to support the project's financial viability. These funds will be provided as interest free forgivable loans to eligible and approved projects and will be tied to milestones and requirements in agreements with housing providers.

## **2. Pilot Community Housing Pre-development Fund**

As part of [adopting MM13.27 - Federal Housing Accelerator Fund, Council requested staff to consider the creation](#) of a municipal Indigenous, non-profit and co-operative housing pre-development fund, to supplement existing CMHC funding programs, and provide support to qualified housing organizations working to assist the City, to deliver net new RGI, affordable and rent-controlled homes, and report on the potential sources of funding and the mechanism to deliver the pre-development funds.

This report recognizes the need for additional support for Community Housing Providers to increase the supply of RGI, affordable and rent-controlled homes. The three-year pilot program will commence in 2024 and conclude in 2026. An annual allocation of approximately \$10 million will be available, with adjustments made as necessary during the City's annual budget process based on ongoing evaluations of need and take-up. Through the Pilot Community Housing Pre-Development Fund, projects will be eligible to receive a maximum of \$50,000 per RGI and affordable rental home in the form of interest free loans due on first construction financing draw.



Projects in receipt of the City's Pilot Community Housing Pre-development Fund will be required to apply for Seed Funding available from CMHC which provides financial support (up to \$350,000 in interest-free loans and a maximum of \$150,000 of forgivable contributions) for individuals or organizations involved in the initial phases of creating an affordable housing project to assist with early development expenses.

The Pilot Community Housing Pre-development Fund will be a revolving fund where funds will be re-paid at the first construction loan draw and re-invested back into the pre-development fund and/or in future Community Housing projects in Toronto. Eligible costs and additional details are included in Attachment 3.

The City, in collaboration with Toronto Alliance to End Homelessness and Co-operative Housing Federation of Toronto, is reviewing non-profit and co-op sites with re-development potential (intensification and infill) that could benefit from the Pilot Community Housing Pre-development Fund over the next three years to increase the community housing stock.

This report proposes to allocate approximately \$16 million in pre-development funding to affordable housing projects this year, as outlined Confidential Attachment 1, to support their due-diligence activities with the aim of expediting construction start timelines. The Housing Secretariat's 2024-2033 Capital Budget provides initial funding of approximately \$16 million to be re-distributed to these RGI and affordable rental homes in 2024. Any necessary modifications and required funding requests to year 2025 will be completed through the 2025 Budget process.

### **3. Proposed Incentives for Rent-controlled Homes Delivered by Community Housing Providers**

The Open Door Program has historically supported new affordable rental housing projects through relief from building permit fees, planning application fees and parkland dedication fees as well as an exemption from development charges and property taxes for a stipulated affordability period (typically 40-99 years).

The Province's adoption of the *More Homes Built Faster Act, 2022* (Bill 23) and the *Affordable Homes and Good Jobs Act, 2023* (Bill 134) has substantially altered the landscape of financial incentives available for the City to provide affordable rental housing developments, by introducing provincial exemptions of development charges (DCs), community benefit charges (CBCs), and parkland dedication fees for developments providing 25 years affordability, at the levels set out by the Provincial government in the Affordable Residential Units Bulletin, and subject to an agreement. The Province recently announced these exemptions, for both affordable rental and ownership units, will come into effect on June 1, 2024.

Bill 23 also created different sets of exemptions for private sector and non-profit housing developments which came into effect in November 2022, including through DC, CBC and parkland exemptions for non-profit rental and ownership housing, in addition to DC discounts for purpose-built market rental housing. The non-profit exemption applies to all residential units, whether affordable, market, ownership or rental. There is no

requirement for a minimum time frame for the building to be non-profit, or authority to enter into agreement or require the repayment of financial incentives should the property be sold in the future to a for-profit entity.

To further address the shortage of purpose-built rental housing supply and support the City's housing target of 17,500 rent-controlled homes, this report proposes supporting Community Housing Providers, as well as TCHC and TSHC to build rent-controlled homes with rent levels between income-based affordable rents (the lower of Official Plan and the DCA definitions) and up to 150% of the average market rent, by unit type, as reported annually by CMHC, when first rented to a new tenant, and provided that rent increases are limited to the provincial rent increase guideline under the *Residential Tenancies Act, 2006* plus 2%, but not greater than the consumer price index. This new rental threshold aligns with the Official Plan definition of mid-range moderate rents. Rent-controlled homes will need to be maintained for a minimum of 40 years, and projects will need to include at least 30% of gross floor area (GFA) affordable housing.

To support creation of these rent-controlled homes by the Community Housing Providers, this report proposes the following financial incentives to be provided by the City (applicable to the rent-controlled portion of developments):

- Waivers of building permit and planning application fees; and,
- Property tax exemptions for the duration of rent-control, subject to City Council approval.

These incentives are supplementary to DC, CBC, and parkland dedication fee exemptions available to non-profit housing developments that meet provincial requirements, and other growth funding tool discounts and exemptions provided to these developments.

It should be noted that there is a gap in the provincial definition of a non-profit housing developer for the purpose of determining eligibility for provincial exemptions under Bill 23. The specific definition provided in Bill 23 requires that affordable housing be the primary object of the non-profit corporation. This may not capture the mandate of some multi-service non-profit corporations operating in Toronto whose object includes affordable housing, but whose articles of incorporation do not describe this as the organization's primary object. In these cases, Housing Secretariat, in consultation with the Chief Financial Officer and Treasurer, will assess applications and review their eligibility for City incentives, including evaluating costs and benefits, to exempt DC, CBC, and parkland dedication fees on a case-by-case basis.

Table 1 outlines the estimated financial impact to the City of approving up to 1,000 rent-controlled homes under the new Rental Housing Supply Program, delivered by not-for-profit corporations, co-ops, Indigenous housing providers, TCHC and TSHC. The actual financial impact will be based on the actual value of fees, charges and taxes applicable to the development. The Table also provides, for Council's information, a summary of the total foregone revenue associated with the same number of housing units, arising from Provincial changes through Bill 23, the Development Charges Act, and other legislation. This distinct from the direct impact of incentives proposed to be provided under the new Program.

The City will continue to monitor the uptake of the new incentives on an annual basis and will report to City Council on the results of the roll-out, as well as the analysis of the financial impact on the City on an ongoing basis.

Table 1 – Proposed Financial Incentives for 1,000 Rent-controlled Homes<sup>1</sup> delivered by Non-profit, Co-op, Indigenous Housing Providers, TCHC and TSHC

	<b>Estimated Value of City Incentives</b>	<b>Estimated Impact of Provincial Incentives</b>
<b>Development Charges</b>	Subject to Provincial Exemption <sup>2</sup>	\$78 million <sup>3</sup>
<b>Parkland Dedication</b>	Subject to Provincial Exemption <sup>2</sup>	\$15 million
<b>Community Benefits Charges</b>	Subject to Provincial Exemption <sup>2</sup>	\$6 million
<b>Planning Application Fees</b>	\$0.8 million	n/a
<b>Building Permit Fees</b>	\$1 million	n/a
<b>Estimated Net Present Value of Property Taxes (40 years assumption)</b>	\$32 million	n/a
<b>Total value of Incentives</b>	\$33.8 million	\$99 million <sup>4</sup>

Assumptions for estimating the value of incentives:

- 1) Calculations based on unit mix of 10% studio, 45% 1-bed, 35% 2-bed, 10% 3-bed units. Calculated using 2024 rates.
- 2) Subject to meeting provincial definition of non-profit housing development.
- 3) The estimated value is before any previously Council approved rental discounts provided by the City (estimated at \$25 million), which would be repayable to the City should the units no longer be rental.
- 4) This reflects the total financial impact to the City arising from all exemptions available to non-profit housing developments mandated by the Province, and not the Rental Housing Supply Program.

#### **4. Supporting the Implementation of the Rental Housing Supply Program**

To support the successful roll-out of the Rental Housing Supply Program, and a range of housing initiatives aimed at expedited delivery of housing projects, additional legal staffing support is required.

This report proposes an increase in the 2024 Operating Budget for the Legal Services Division by \$165,558 gross and \$0 net, to add two permanent positions to the Housing Secretariat's legal staffing complement, fully funded from the Housing Secretariat's

2024-2033 Capital Budget and Plan, with annualized and future year financial impact to be considered as part of the annual budget process.

These two positions, being added to Legal Services Division, will be dedicated to the Housing Secretariat and as needed, to support delivery of a range of housing initiatives. These positions will start September 1, 2024. The Executive Director, Housing Secretariat, and the City Solicitor will meet annually to evaluate the City Legal resources needed to meet the service level expectations and requirements of the Housing Secretariat.

## **5. Establishing a Sustainable Affordable Housing Fund**

Building RGI, affordable and rent-controlled homes in the current challenging market conditions requires a combination of land, low-cost financing, significant grant funding, and financial incentives as well as a willingness to accept a lower rate of return or achieving rental stabilization over a longer period. Existing funding and financing programs are not currently working in a coordinated manner causing situations where land is ready to be developed but funding and financing are not readily available or the timelines to secure funding and financing will result in a project becoming financially unviable. In other instances, the bar to secure low-cost financing is too high to the point that many community housing organizations are not able to secure financing without loan guarantees that tie up significant assets to advance a new housing development.

The City, through this report, is proposing an expanded suite of funding and incentives to support housing developments, recognizing that even with these new investments, there are housing projects that would remain unfunded and that significant federal and provincial funding is required.

As part of [2023.EX9.3 – Generational Transformation of Toronto’s Housing System to Urgently Build More Affordable Homes](#), City Council directed staff to explore the establishment of a sustainable Toronto Housing Affordability Fund and report back in 2024 with recommendations to advance this initiative. The Fund is intended to provide an opportunity for the City to work with the federal and provincial governments, financiers, academic institutions, philanthropic organizations, and private sector organizations (including large employers) and explore ways to facilitate access to various low-cost financing, grant funding and loan guarantees solutions for public, not-for-profit, co-operative, and Indigenous-led organizations to improve financial viability of affordable rental housing projects.

Through the recommendations in this report, Housing Secretariat and other relevant divisional staff will work to implement and establish a sustainable Affordable Housing Fund. The implementation plans and any required resources will be reported out through the 2025 budget process or future staff reports.

The Affordable Housing Fund could act as a vehicle for philanthropic organizations to flow their affordable housing funds to the City to be allocated as patient capital and/or pre-development funds to City-supported or City-led affordable housing projects. Access to patient capital particularly for affordable and rental housing projects is critical

as the rental revenues for these projects are limited, further limiting their ability to secure construction financing.

Additionally, the Affordable Housing Fund could enable the City to leverage partnerships with the financial sector and banks to secure low-cost financing solutions for City-supported and City-led projects where land and funding is already secured. This will be a critical step in advancing public-builder sites where the City is responsible for direct delivery of the projects.

The City will also continue leveraging its Social Debenture Program (Social Bond) that was first launched in 2020 to fund capital projects that meet the City's social objectives, including affordable housing development and/or capital repairs. A total of \$450 million in social bonds have been raised to date and have been issued for 10-20 year periods. Raising new funding and financing solutions through these alternative approaches will relieve the pressure from the City's tax base and will bring additional resources to support the City's ambitious housing objectives.

## **6. Enhanced Support Required from the Federal and Provincial Governments**

The federal government, through Budget 2024, has announced new funding to boost home construction, including:

- A \$15 billion top-up to the Apartment Construction Loan Program for a total of \$55 billion to build 131,000 new rental apartments;
- Launching Canada Builds which leverages the Apartment Construction Loan Program by making it available to support partnerships with provinces that launch housing plans;
- Launching a new \$6 billion Canada Housing Infrastructure Fund for water and wastewater infrastructure;
- \$1.3 billion for Reaching Home: Canada's Homeless Strategy, and,
- \$1.5 billion for the Canada Rental Protection Fund, to help non-profits acquire rental housing to maintain existing housing stock for those on low and fixed incomes.

The City is in a unique position to work with the federal government and invest these new funds through existing programs such as the proposed Rental Housing Supply and the MURA Programs.

Recent federal and provincial measures introduced to support purpose-built rental construction, such as providing a 100% rebate on GST and HST on new purpose-built rental housing is an example of government policies aligning to advance collective housing objectives. As an example for a two-bedroom rental home valued at \$500,000, the enhanced Ontario HST New Residential Rental Property Rebate would [deliver](#) \$40,000 in provincial tax relief. When combined with the enhanced federal GST New Residential Rental Property Rebate, this would amount to \$65,000 in tax relief.

Approximately \$500-\$800 million in funding and \$900 million-\$1 billion in low-cost financing is required from each of the federal and provincial governments respectively per year over the next seven years to support advancing the City's 65,000 rent-controlled homes approvals. Additional funding is needed from the Province of Ontario

to continue providing operating subsidies and support services to advance the City's supportive housing targets. 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.

## **Financial Impacts of Provincial Policies and Legislation**

The City's ability to continue to deliver its housing programs and the community infrastructure required to support new housing, is currently at high risk due to the significant financial impacts arising from the provincial changes to the *Development Charges Act* and *Planning Act* impacting municipal growth funding tools. Specifically, the province 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 for Affordable Housing services over 10 years.

Additionally, the Government of Ontario has introduced a number of changes to policies and legislation impacting municipal growth funding tools and other legislation over the past few years through the Ontario Housing Supply Action Plan- Bill 108, *More Homes, More Choice Act*; Bill 138, *Plan to Build Ontario Together Act, 2019*; Bill 109, *More Homes for Everyone Act*; Bill 134, *Affordable Homes and Good Jobs Act, 2023*; *Bill 23 More Homes Built Faster Act, 2022* and the recent *Bill 185, Cutting Red Tape to Build More Homes Act, 2024* which is currently at second reading at the time of writing of this report.

These changes have limited the impact of 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. Provincial exemptions to growth funding tools are provided with a shorter term of affordability and in some cases without authority to require agreements with housing providers, or a requirement for the repayment of incentives should there be a change in use or tenure.

In the absence of the City being fully reimbursed by the province for the lost revenues as a result of changes to the *Development Charges Act* and *Planning Act*, and without new financial and policy tools, the City will not be able to provide the services essential to support growth, deliver existing housing programs necessary to scale up supply and respond to the needs of residents, thereby impacting the financial sustainability of growth to the City and the City's ability to plan for complete communities. The City continues to request the Province of Ontario make the City whole for the significant financial impact arising from adoption of this legislation.

## **Newly Proposed Optional Multi-Residential Property Subclass**

On March 26th, 2024, the Province's Finance Minister presented Ontario's 2024 Spring Budget. In an effort to promote the development of purpose-built rental housing in Ontario, [Ontario Regulation 140/24](#) was filed to create an optional new Multi-Residential Property Tax Subclass. Under the new regulation, municipalities have the option to apply a municipal tax rate reduction of up to 35% of the new multi-residential tax rate for

eligible properties by passing a bylaw. Staff are currently reviewing the provincial regulation and will be reporting back to Executive Committee with additional information in 2024. Any tax policy implications will be considered as part of the 2025 budget process. The potential impacts on the Rental Housing Supply Program will be reviewed as a new tax policy may further support the construction of affordable purpose-built rental housing, addressing critical housing needs and fostering inclusive community growth.

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

## **EQUITY IMPACT**

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The HousingTO Plan envisions a city in which all residents have equal opportunity to develop to their full potential. It 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 proposed Rental Housing Supply Program will be a key program under the HousingTO Plan aimed at supporting the creation of a range of rental homes responsive to residents needs across the housing continuum. With approximately 87,000 households on the City's waitlist for subsidized housing and a waitlist of 7 to 10 years, creating new supply of RGI homes is particularly key to ensuring households can move off the waitlist to stable and deeply affordable homes.

Creating new RGI and affordable rental homes 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 2SLGBTQ+ communities to access safe, healthy and adequate homes. More rental housing opportunities for essential workers and families will also be created through the recommended Rental Housing Supply Program.

The City is committed to advancing truth, justice and reconciliation with Indigenous communities and will leverage the new Rental Housing Supply Program to advance the target it has co-developed with Miziwe Biik Development Corporation (MBDC) and Indigenous housing providers to support the approval and creation of a minimum of 5,200 "for Indigenous, by Indigenous" affordable rental homes.

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.

It is also important to note that the City utilizes property tax exemptions as a tool in its strategy to secure affordable units in new housing developments. Households residing in the homes/units that are property tax exempt do not pay property taxes directly or indirectly through rent. The Canada Revenue Agency has advised the City that tenants paying rent in affordable units are not eligible for The Ontario Energy and Property Tax component of the Ontario Trillium Benefit (OTB) (administered by the Canada Revenue

Agency) which seeks to help low-to moderate income Ontarians pay for energy costs, sales, and property taxes. As such, those living in affordable housing projects, including those in the projects recommended in this staff report, will be ineligible for the Ontario Energy and Property Tax Credit component of the OTB.

## **DECISION HISTORY**

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At its meeting on May 22, 2024, City Council adopted PH12.7 "City Comments on Proposed Bill 185 - Cutting Red Tape to Build More Homes Act, 2024, Provincial Planning Statement 2024, and New Minister Zoning Order Framework". The report provides City comments on proposed legislative changes to the Development Charges Act, Planning Act and other matters. <https://secure.toronto.ca/council/agenda-item.do?item=2024.PH12.7>

At its meeting on November 8 and 9, 2023, City Council adopted Item EX9.3 – “Generational Transformation of Toronto’s Housing System to Urgently Build More Affordable Homes”. The report outlines several recommended actions, and highlights initiatives underway, which will make a generational change to transform and strengthen Toronto’s housing system and expedite delivery of the HousingTO and Housing Action Plan targets. <https://secure.toronto.ca/council/agenda-item.do?item=2023.EX9.3>

At its meeting on November 8, 2023, City Council adopted Item PH7.7 – “City Comments on Provincial Bill 134 Proposed Definition of Affordable Residential Unit” which supported in principle, the Government of Ontario’s direction in Bill 134 to adopt an income-based approach for the definition of affordable housing. <https://secure.toronto.ca/council/agenda-item.do?item=2023.PH7.7>

At its meeting of September 6, 2023, City Council adopted Item EX7.2 – “Urgently Building More Affordable Homes”, and directed the Deputy City Manager, Development and Growth Services, among other things, to create a plan to achieve 25,000 new rent-controlled homes, in addition to the City's previous HousingTO 2020-2030 Action Plan (HousingTO Plan) target of 40,000 affordable rental homes. Council also requested a report back on an effective alignment of resources, mandates, structure, and personnel to achieve the plan. <https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.2>

At its meeting of March 21, 2023, the Executive Committee adopted Item EX3.1 – “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 of November 23, 2022, City Council adopted CC1.2 – “Update on Bill 23, More Homes Built Faster Act, 2023” which requested that the Province of Ontario not remove housing services from development charges or alternatively, create a municipal compensation fund to compensate municipalities for the impacts of Bill 23 on municipal growth funding revenues. <https://secure.toronto.ca/council/agenda-item.do?item=2023.CC1.2>



At its meeting of September 30, 2020, City Council adopted with amendments Item PH16.5 - "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 Open Door program 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 of December 17 and 18, 2019, City Council, adopted with amendments Item PH11.5 - "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 of July 12, 13, 14 and 15, 2016, City Council adopted with amendments item EX16.26 - "Implementing the Open Door Affordable Housing Program" which provided financial and implementation details regarding the Program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.26>

At its meeting of December 9 and 10, 2015, City Council adopted item EX10.18 - "Affordable Housing Open Door program", with amendments, which detailed land, planning and financial actions to enhance the City's ability to deliver affordable housing and achieve its housing targets. Council adopted actions to better utilize surplus public lands and provide financial contributions for new affordable housing from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

City Council has approved the following previous Open Door program annual Call for Applications reports which summarize approved projects, grant funding and incentives provided through the program each year:

1) At its meeting of June 15, 2022, City Council adopted item PH34.8 – Open Door program 2021 Call for Applications Results: Support 919 Affordable Rental and Supportive Homes".

<https://secure.toronto.ca/council/agenda-item.do?item=2022.PH34.8>

2) At its meeting of March 10, 2021, PH21.4 "Open Door program 2020 Call for Applications Results: Support for 971 New Affordable Rental Homes".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH21.4>

3) At its meeting of October 2 and 3, 2019, PH8.3 "Open Door program Call for Applications 2019: Support for 651 New Affordable Rental Homes".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH8.3>

4) At its meeting of July 23, 24, 25, 26, 27 and 30, 2018, EX36.27

"Creating 606 Affordable and 422 Mid-Range Rental Homes in Toronto - Results of the 2018 Open Door Call for Applications"

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX36.27>

5) At its meeting of October 2, 3 and 4, 2017, EX27.14 “Creating 298 Affordable Rental Homes in Toronto - Results of the 2017 Open Door Call for Applications”.  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.14>

## COMMENTS

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### Toronto's Housing Challenges

Toronto's housing and homelessness crises are decades in the making, and now impact residents across the housing continuum and income levels. Housing affordability continues to acutely impact low-income households; however, it is also increasingly making life unaffordable for middle-income earners. These crises are complex with various contributing and intersecting factors including a lack of affordable housing options, rising rental and homeownership costs, inflation, social assistance rates and incomes that have not kept pace with the cost of living, insufficient access to physical and mental health, and social supports, and systemic and structural racism and discrimination. To put these challenges into context:

- The city's current rental vacancy rate for purpose-built rentals is around 1.5%. The vacancy rate in a well-functioning housing system should be 3% or higher.
- City of Toronto data [indicated](#) that at the end of April 2024, the number of individuals experiencing active homelessness was 10,964.
- About 48% of Toronto households (557,970 households) are renters, and 40% of renter households are living in unaffordable housing, compared to 26% of owners (based on 2021 Census data).
- The average rent for two-bedroom condominium apartment units in Toronto is \$3,139, as reported by the Toronto Regional Real Estate Board in their [Q1-2024 Rental Market Report](#). This represents the main rental housing option affordable and available to key workers to Toronto's economy including transit operators, registered nurses, and construction managers, but often entails no security of tenure and no rent control.
- A report, entitled [The Cost of Inaction](#), released by The Toronto Region Board of Trade and WoodGreen in July 2021, estimates that the lack of affordable workforce housing is costing the Greater Toronto Area up to an estimated \$7.98 billion per year in direct and indirect economic and social costs. More affordable homes are needed for lower and moderate-income households, including some of the region's most essential workers, including cashiers, shelter staff, nurses, custodians, transit operators and restaurant workers.

In response, City Council has ambitiously expanded upon its prior targets in the HousingTO Plan and directed staff to expedite delivery of a range of new homes for current and future residents.

## Changing Provincial Legislative Context

Beyond the loss of development charge revenue, Bill 23 changes to the *Development Charges Act, 1997* and *Planning Act* have shifted the policy-led planning and land development system under which municipalities in Ontario work, impacting the City's DCs, CBCs and parkland levies. The key implications on the City's affordable housing program design include:

**A. Affordable rental developments:** Provincial changes eliminate developer fees for DCs, CBCs and parkland dedication, where affordability meets the Provincial definition of affordable rental or ownership housing as set out in a Provincial Bulletin. This level of affordability is to be secured for a period of at least 25 years through an agreement with the local municipality.

**B. Non-profit housing developments:** The Province provides non-profit housing developments with exemptions from DCs, CBCs and parkland dedication requirements, without specific affordability level requirements, authority to enter into agreements or requirements to repay should the units change from non-profit to a for profit entity. The Province defines a non-profit housing development as the development of a building or structure intended for use as a residential premises and developed by:

- a corporation to which the Not-for-Profit Corporations Act, 2010 applies, that is in good standing under that Act and whose primary object is to provide housing,
- a corporation without share capital to which the *Canada Not-for-profit Corporations Act, 2009* applies, that is in good standing under that Act and whose primary object is to provide housing, or
- a non-profit housing co-operative that is in good standing under the *Co-operative Corporations Act*.

**C. Discounting development charges for purpose-built rentals:** Bill 23 changes to the DCA provide discounts on DCs for purpose-built market rental units, based on unit type:

- 15 per cent discount for a 1-bedroom unit
- 20 per cent discount for a 2-bedroom unit
- 25 per cent discount for 3+ bedroom units

In December, 2023, *Bill 134, Affordable Homes and Good Jobs Act, 2023* ([Bill 134](#)) received Royal Assent, and provided further details regarding the provincial definition of 'affordable rental unit' for the purposes of exemptions from municipal development charges. The provincial income-based affordable rent is set out by the Minister of Municipal Affairs and Housing in an annual "[Affordable Residential Units bulletin](#)", the first of which came into effect on June 1, 2024.

The Province's new affordable rental definition differs from the City of Toronto's in-force affordable rental housing definition (included in [Official Plan Amendment 558 – Updating the Definitions of Affordable Rental and Ownership Housing](#)) which sets affordable rents as the lower of average market rent by unit type (i.e. number of bedrooms) and what is affordable to renter households at 50th- 60th percentile of gross annual incomes.

While the City's definition accounts for different affordable rents by unit type based on set income percentiles and household sizes of renter households, the affordable rents set out in the Provincial Affordable Residential Units Bulletin does not appear to incorporate the same approach. [City Council requested](#) that the province ensure provincial income-based affordable rents take into consideration CMHC's National Occupancy Standard and different household incomes and sizes for different bedroom types. As a result of this differing approach, the Provincial and City rent levels are not guaranteed to be consistent.

A comparison of the 2024 Affordable Rents under the definitions in the Official Plan, and Provincial *Development Charges Act*, and the proposed Rental Housing Supply Program are provided in Table 2 below.

## **The Rental Housing Supply Program**

The Open Door program was launched in 2016 to scale up the delivery of affordable rental housing development in Toronto. Since then, approximately 21,000 affordable rental homes have been approved. The Open Door program has been key to enhancing the development readiness of Community Housing projects, and advancing partnership with other orders of government by creating a pipeline of projects in Toronto. Many projects approved through the Open Door program are eligible to secure funding and/or financing through CMHC programs such as Apartment Construction Loan Program (formerly Rental Construction Finance Initiative – RCFI), the Affordable Housing Fund (formerly the Co-Investment Fund) or the Rapid Housing Initiative.

The scale of legislative and policy changes and the growing housing and homelessness crises in Toronto require the Open Door program be redesigned to ensure the City can continue to effectively support new affordable rental homes while supporting new RGI and rent-controlled homes in the years to come.

The key considerations and guiding principles which have informed the Rental Housing Supply Program include:

- Prioritize the greatest investments for deeper and longer-lasting affordable housing outcomes through adopting an income-based definition of affordable housing;
- Alignment with Intergovernmental objectives and commitments including accelerating housing starts;
- Indigenous, non-profit and co-operative provider capacity building.

### **1) Incorporating an income-based definition of affordable rental housing**

The previous definition of affordable rental housing in the City's Official Plan was based on average market rents (the average rent paid by current tenants, by unit type, in purpose built rental buildings across the city). This approach however left many low-income residents unable to afford new supply of affordable rental homes and there was a growing concern that this problem would worsen over time given that average market rents have grown faster than incomes over the past decade.

Following extensive public and stakeholder consultation throughout 2020 and 2021, the City amended its Official Plan to adopt an income-based definition of affordable rental housing that better responds to the needs of low- and moderate-income households.

The revised Official Plan affordable rental definition is “Housing where the total monthly shelter cost (gross monthly rent, inclusive of utilities for heat, hydro, hot water and water) is at or below the lesser of one times the average City of Toronto rent, by dwelling unit type, as reported annually by CMHC) or 30% of the before-tax monthly income of renter households in the City of Toronto as follows:

- studio units: one-person households at or below the 50th percentile income;
- one-bedroom units: one-person households at or below the 60th percentile income;
- two-bedroom units: two-person households at or below the 60th percentile income;
- three-bedroom units: three-person households at or below the 60th percentile income.”

While the Official Plan definition of affordable rental housing is already in effect through rental replacement policies, the large site policy, and when securing new affordable housing as a community benefit, the affordable housing programs such as Open Door and Housing Now Initiative are still using the previous average market rent definition.

Through the launch of the Rental Housing Supply Program, the income-based definition of affordable rental housing will be incorporated into the program design and delivery on a go forward basis. Where the provincially-set affordable rents, as issued in “[Affordable Residential Units bulletin](#)”, are lower than the City's income-based definition of affordable rental housing, the lower rents will be applicable. The purpose of this approach is to create greater consistency in the type and source of the exemption received for projects approved under the Program.

Table 2- Affordable Rents as Defined under Development Charges Act, Official Plan, and as proposed under Rental Housing Supply Program (2024)

Unit Type	Toronto Official Plan	Development Charges Act	Proposed Rental Housing Supply Program
<b>Studio</b>	\$1,088	\$1,427	<b>\$1,088</b>
<b>1-bedroom</b>	\$1,378	\$1,708	<b>\$1,378</b>
<b>2-bedroom</b>	\$1,992	\$1,992	<b>\$1,992</b>
<b>3-bedroom</b>	\$2,232	\$2,190	<b>\$2,190</b>

Adopting the income-based definition of affordable rental housing would lead to a reduction in affordable rents collected for studio and one-bedroom units compared to average market rents under the current definition. This will impact rental housing

developers' ability to secure financing and the long-term financial viability and stability of rental projects.

These reductions in rents are addressed through revisions in the Rental Housing Supply Program which prioritizes these projects for grant funding of up to \$260,000 per affordable rental and RGI home. Additionally, for mixed-income projects delivered by Community Housing Providers, as well as TCHC and TSHC, the expansion of incentives to the rent-controlled market housing component of projects, as outlined below, will further mitigate the financial impact of lower rental revenues. Additionally, other incentives available to rental housing including DC discounts and exemptions for market rental units and a 100% rebate on GST and HST on new purpose-built rental housing will help offset the impact.

## 2) Introducing a New Program Definition for Rent-controlled Homes

The Rental Housing Supply Program includes measures to support the delivery of rent-controlled homes with a target of approving 17,500 units by 2030. Through this report, a new program definition for rent-controlled homes is proposed whereby monthly rents are above the affordable rents, and at or below 150% of the average City of Toronto rent, by unit type, as reported annually by CMHC, when first rented to a new tenant.

Rents will be controlled under this program, with rental increases maintained at no more than the provincial rent increase guideline (under *the Residential Tenancies Act*) plus 2% annually for a minimum of 40 years. The provincial rent control guidelines are based on the changes in consumer price index, with rent increases capped at 2.5% to prevent significant rent increases. In 2024, the guideline increase was 2.5%. The rent-controlled homes developed under this Rental Housing Supply Program will not be eligible for above-guideline rent increases.

In the absence of provincial rent-control measures for buildings built or occupied since November 15, 2018, there is currently limited housing security for renters as rents continue to rise faster than incomes. This has created a significant risk for unaffordable rent increases, housing precarity, and economic evictions across the city. The requirements for rent control measures proposed under the new Program, aim to balance stability for renters with the adequate rental revenue required to make rent-controlled homes financially viable to maintain and operate over the long-term.

Table 3 - Proposed Definition for Rent-controlled Homes (2024)

Unit Type	Average Market Rent	150% Average Market Rent*
Studio	\$1,427	\$2,140
1-bedroom	\$1,708	\$2,562
2-bedroom	\$1,992	\$2,988
3-bedroom+	\$2,241	\$3,361

\*Aligned with Official Plan's definition of Mid-Range (Moderate) Rents where rents are above the average City of Toronto rent, by unit type, as reported by CMHC, but equal to or below 150% of the average City of Toronto rent, by unit type.

### **3) Providing Financial Incentives to Rent-controlled Homes Delivered by Community Housing Providers**

The Rental Housing Supply Program will continue to support affordable rental homes include RGI homes through waivers of fees and charges and tax exemptions that are now partly mandated under Bill 23.

Financial analysis done by [BILD GTA and Urbanation in 2023](#) found that building purpose-built rental in Toronto is commonly less financially attractive than condominium development due to differences in upfront capital investments and the differences in timeframes required to reach profitability. While provincial discounts for purpose-built rental housing and other measures such as the removal of GST/HST on new rental housing developments provide new financial support to these projects, they are not adequate to deliver voluntary rent-control measures and an upper limit on rents that can be secured for the long-term.

Through this report, it is proposed that a limited set of incentives be expanded to rent-controlled homes delivered by Community Housing Providers, as well as TCHC and TSHC, subject to approval under the Rental Housing Supply Program. The incentives include waivers of planning application fees, building permit fees, and exemption of municipal property taxes. These incentives are supplementary to DC, CBC, and parkland dedication fee exemptions available to non-profit housing developments that meet provincial requirements. A detailed summary is provided in Table 4 below.

It should be noted that there is a gap in the provincial definition of a non-profit housing developer for the purpose of determining eligibility for provincial exemptions under Bill 23. The specific definition provided in Bill 23 requires that affordable housing be the primary object of the non-profit corporation. This may not capture the mandate of some multi-service non-profit corporations operating in Toronto whose object includes affordable housing, but whose articles of incorporation do not describe this as the organization's primary object. In these cases, the Housing Secretariat, in consultation with the chief Financial Officer and Treasurer, will review eligibility for City incentives to exempt DC, CBC, and parkland dedication fees on a case-by-case basis.

Through the adoption of this report, Community Housing Providers will be required to set a maximum rent threshold and adhere to rent control measures as described above, secured through agreements with the City, which will:

- Result in predictable and more reasonable annual increases for renters while maintaining interest in building new rental housing from Community Housing Providers.
- Provide flexibility for landlords to manage capital costs and maintain buildings in good condition which will provide good quality housing for renters as landlord will be able to keep up with capital repairs and ongoing maintenance.
- Enable the City to restrict and maintain oversight of annual rental increases during the term of the agreement with the City.

Table 4- Rental Housing Supply Program – City Financial Incentives

	<b>Affordable rental homes (as outlined in the Program)</b>	<b>Community Housing-led rent-controlled rental homes (150% AMR)</b>
<b>Approximate rent (1-bedroom)</b>	\$1,378	\$2,562
<b>Market rent equivalent</b>	At or below 100% AMR	150% AMR
<b>Min gross floor area (GFA) for mixed projects</b>	30% of residential GFA must be affordable.	30% of residential GFA must be affordable.
<b>Affordability / Rent Control Requirement</b>	Rent increases limited to Provincial Guideline	Proposed rent increases limited to Provincial Guideline +2%
<b>Affordability / Rent Control Duration</b>	Minimum 40 Years	Minimum 40 Years
<b>Benefits</b>		
<b>Development Charges</b>	Provincial exemption is available to non-profit and private-led developments, subject to meeting Provincial requirements.	Provincial exemption is available to non-profit housing developments, subject to meeting Provincial requirements.
<b>Parkland Dedication Fees</b>		
<b>Community Benefits Charge</b>		
<b>Planning and Building Permit Fees</b>	Existing waiver provided by the City	New waiver proposed to be provided by the City
<b>Property taxes</b>	Existing exemption provided for the affordability period	New exemption proposed to be provided by the City for the duration of rent control
<b>Grants Funding</b>	Eligible for funding (up to \$260K per cap unit)  Projects evaluated based on priority criteria	Not eligible
<b>Community Housing Pre-development Funding</b>	Non-profit: eligible (up to \$50K per unit)  Private: Not eligible	Not eligible



Subject to adoption of this report, the City's Municipal Housing Facility By-law will be repealed and replaced to incorporate the new rent-controlled homes definition and associated affordability level. The Municipal Housing Facility By-law is used to provide DC, property tax, parkland dedication fee and CBC exemptions for affordable rental housing as defined in the By-law and outlined in this report. The new Municipal Housing Facility By-law will come into effect immediately after the adoption of this report by City Council.

#### **4) Prioritizing Capital Funding for RGI and Affordable Housing Projects**

The City will continue to provide funding to eligible RGI and affordable rental housing projects approved under the Rental Housing supply Program. The City will allocate up to \$260,000 per RGI and affordable rental home to supplement other measures needed to make these projects financially viable (such as land at nominal rate; financial incentives, low-cost financing and sustainable rental revenues that might include ongoing housing benefits). Through the approval of the recommendations in this report, the City will launch the first round of funding under this new program, allocating \$351 million to the projects listed in Confidential Attachment 1. This investment will enable 18 affordable rental housing developments to reach construction start in 2024 and 2025, adding to the 47 projects already funded and under or nearing construction, listed in Attachment 2.

The allocation of \$260,000 per RGI and affordable rental home is the maximum allowable funding allocation under the Rental Housing Supply Program. Staff will have discretion on the per unit funding allocation based on project parameters and additional sources of funding that can be leveraged to support the project's financial viability, including additional equity contributions from partners or funding and financing secured from CMHC.

These funds will be provided as interest free forgivable loans to eligible and approved projects and will be tied to milestones and requirements in agreements with housing providers. The Housing Secretariat will work with housing providers to identify appropriate terms for repaying the funding (fully or partially) as part of the funding agreements. The project agreements will also include stipulations to withhold or recoup approved funding in the event housing providers cannot meet the milestones as outlined in the project agreement.

#### **5) Project Application Support and Prioritized Planning Approvals**

RGI and affordable rental housing projects approved under the Rental Housing Supply Program will continue to be supported through a prioritized development review process. Subject to adoption of this report, this service will be extended to rent-controlled homes approved through the Rental Housing Supply Program. These projects will be required to complete a pre-submission meeting with the City and will be reviewed for prioritization through the Priority Development Review Stream.

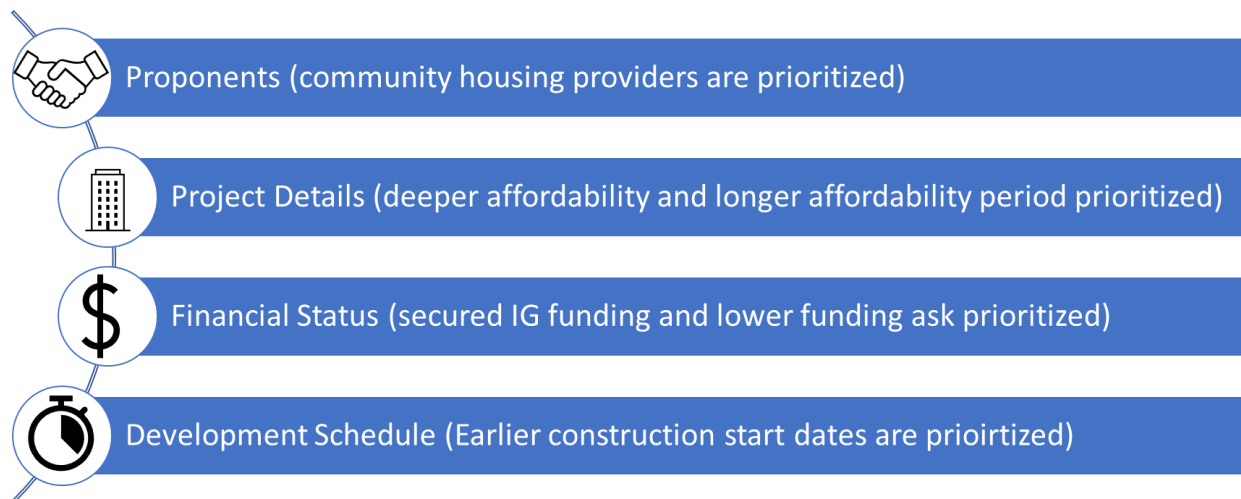
The Perspective on the Rental Housing Roundtable Report described the impact of extended project approval timelines on rental project viability, and recommended the City implement measures to improve the speed, flexibility and predictability of how the

City processes rental housing applications. The City has taken various steps to improve the development review process, leading to more streamlined process for all applications.

The City's Housing Secretariat will continue to work closely with the Development Review Division and other partners to identify mechanisms to enhance consistency and to expedite the review and approval process for approved Rental Housing Supply Program projects.

## 6) Implementation

To address the financial challenges faced by affordable housing projects stuck in the city's pipeline, the Rental Housing Supply Program will roll-out new funding to projects outlined in Attachment 1. These projects are prioritized for funding based on the following criteria to enable these projects achieve construction start in 2024 and 2025:



Subject to approval by City Council, the Housing Secretariat will be prepared to launch the revised program immediately to allocate new pre-development and grant funding for new housing projects.

While the Open Door program has been an effective tool to identify a healthy pipeline of affordable housing projects that will continue to come online by 2030, the launch of the Rental Housing Supply Program will kick-start a new wave of mixed-income projects to be identified and activated to advance as early as the end of 2024.

Implementation in 2024 will require preparing updated program materials (e.g. guidelines, application forms and monitoring tools) to launch two separate components of the program:

- Capital grant funding, which will continue to be allocated through an annual Call for Applications following review and evaluation by City staff and subject to approval by City Council through a staff report.
- Program incentives, which will be provided on a “rolling basis” by the Executive Director, Housing Secretariat, following the review of applications from eligible proponents, subject to the authorities and limits provided for in this report, and enactment of municipal housing facility by-laws for each project.

The City is committed to advancing truth, justice and reconciliation with Indigenous communities and works to advance the target it has co-developed with Miziwe Biik Development Corporation (MBDC) and Indigenous housing providers to support the approval and creation of a minimum of 5,200 for Indigenous, by Indigenous affordable rental homes. Through the roll-out of the Rental Housing Supply Program, including the Pilot Community Housing Pre-development Fund, the City is committed to work with MBDC and Indigenous housing partners that 20% of its funding will be available to support Indigenous-led housing projects. This includes allocation of funding and financial incentives, pre-development funding, as well as exploring long-term land lease and conveyance opportunities that leverages City-owned properties for development of For Indigenous, By Indigenous housing.

Staff will report to the Planning and Housing Committee and Council annually to provide an overview of the results, as well as any future program changes and enhancement required to ensure the effectiveness of the program in supporting and expediting delivery of new purpose-built rental homes for Toronto residents.

## **Conclusion**

The proposed Rental Housing Supply Program will be a foundational rental housing program to support delivery of the City Council's ambitious and expanded HousingTO targets and will advance a generational transformation of the City's housing system to deliver more affordable and non-market homes for residents in need. This program will also advance the [Housing Action Plan 2022-2026](#) and is a key deliverable under the terms of the federal [Housing Accelerator Fund](#).

The rental housing shortage in Toronto and across the province and nationally, is the result of decades of misaligned policies across all orders of government. While the City is committed to taking every possible action within its jurisdictional and financial capacity to address the housing and homelessness crises, policy, legislative and funding solutions at all three levels are needed to spur a new wave of purpose-built rental production by public, private, and non-profit housing organization. These measures require support and active participation from the finance and business sectors, employment and labour partners, universities and colleges, and housing manufacturers, among others, to achieve the housing growth our city needs.

The required financial investments through the HousingTO Plan, although significant, are necessary to restore some level of affordability after decades of insufficient public investments in housing. The investments will improve housing and health outcomes for low-, moderate- and middle-income households, relieve pressure (and cost) related to use of other public systems such as emergency shelters, hospitals, and the justice system, and help the city to attract and retain key workers needed to sustain our economy.

## **CONTACT**

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## **SIGNATURE**

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Abigail Bond  
Executive Director, Housing Secretariat

## **ATTACHMENTS**

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Confidential Attachment 1: List of In-flight Housing Projects Recommended for New Funding.

Attachment 2- List of In-flight Funded Projects

Attachment 3: Overview of the Proposed Community Housing Pre-development Fund.

Attachment 4: Updated Municipal Housing Facility By-law.

## Attachment 2 – List of Funded, In-flight Affordable Rental Housing Projects

Projects listed in the tables below have funding in place as of May, 2024, and are under construction (Table 1) or entering construction in the remainder of 2024 and 2025 (Table 2). Projects may require or be in the process of negotiating additional funding or financing through other federal or provincial programs.

This Attachment only includes projects supported through affordable housing programs administered by the City, including Open Door, Housing Now, the Rapid Housing Initiative, and projects led by Toronto Community Housing Corporation.

This Attachment does not include affordable rental homes secured under section 37 agreements with private sector organizations.

Table 1 – Affordable Rental housing Projects Under Construction

No.	Project Address	Ward	Project Lead
1	620 Martingrove Rd. and 7, 21 Richgrove	1	Minto
2	300-304 The East Mall - Phase 1	2	KingSett Capital
3	Bloor/Kipling Block 1	3	Kilmer Group & Tricon Residential
4	150 Dunn Ave.	4	City of Toronto
5	2346 Weston Rd.	5	2346weston.com Inc.
6	591 Finch Ave. W.	6	Sionito Community Development Corporation
7	155-165 Elm Ridge Dr.	8	Reena
8	Lawrence Heights Phase 1Fa	8	Toronto Community Housing Corporation (TCHC)
9	Galleria Mall - 1245 Dupont St., 1260 Dufferin St.	9	2470347 Ontario Inc.
10	1120 Ossington Ave	9	St. Clare's
11	Alexandra Park Phase 2a	10	TCHC
12	25 Augusta Ave.	10	St. Felix
13	Mirvish Village - 571-597 Bloor St. W.	11	Westbank

<b>No.</b>	<b>Project Address</b>	<b>Ward</b>	<b>Project Lead</b>
14	215 Wellesley St. E.	13	Elizabeth Fry
15	65 Dundas St. E.	13	TBD
16	125 George St.	13	Richmond-George Limited and WoodGreen Community Housing Inc.
17	175 Oak St. (Regent Park Phase 3 Bk 16N)	13	Toronto Community Housing Corporation (TCHC)
18	West Don Lands Block 3/4/7	13	Dream Unlimited, Kilmer Group, and Tricon Residential
19	Don Summerville	14	Toronto Community Housing Corporation (TCHC)
20	230 Coxwell Ave.	14	Native Men's Residence
21	685 Queen St. E.	14	Riverdale Co-operative Houses
22	844 Don Mills Rd. (325 Moriyama Dr.)	16	Multigenerational Toronto
23	315 Spadina Ave.	17	315 Spadina LP
24	2217 Kingston Rd.	20	Thunder Woman Healing Lodge Society
25	525 Markham Rd	24	Wigwamen
26	4628 Kingston Rd	25	Fred Victor

Table 2 – Affordable rental housing projects starting construction in 2024-2025

<b>No.</b>	<b>Project Address</b>	<b>Ward</b>	<b>Project Lead</b>
1	150 Eighth St.	3	The Canadian Hellen Keller Centre
2	11 Brock St.	4	City of Toronto
3	6 Shipman St.	4	The Neighbourhood Land Trust

<b>No.</b>	<b>Project Address</b>	<b>Ward</b>	<b>Project Lead</b>
4	22 Maynard Ave.	4	The Neighbourhood Land Trust and Parkdale Neighbourhood Land Trust
5	1552 Weston Rd	5	Mahogany Management
6	50 Wilson Heights Blvd (Phase 1 Blocks 1 & 2)	6	Greenwin
7	128 Havelock St.	9	The Neighbourhood Land Trust
8	316 Campbell Ave.	9	Community Affordable Housing Solutions
9	1141 Bloor St. W.	9	Hazelview Investments, Fitzrovia Real Estate Inc., and AIMCo
10	950 King St. W.	10	Greenwin
11	263 Merchant's Wharf (R6)	10	Hines
12	7 Vanauley St.	10	YMCA
13	2 Tecumseth St.	10	TBD
14	35 Bellevue Ave.	11	City of Toronto
15	140 Merton St.	12	Victoria Park Community Homes Management Inc.
16	393 Dundas St. E.	13	St. Jude's Community Homes
17	Regent Park Phase 4 (1a)	13	Toronto Community Housing Corporation (TCHC)
18	60 Bowden St.	14	WoodGreen
19	2495 Eglinton Ave. E.	20	Glen Park Co-operative Homes Inc.
20	4201-4203 Kingston Rd.	24	Gabriel Dumont
21	3379-3385 Lawrence Ave. E.	24	United Property Resource Corporation

## **Attachment 3 - Overview of the Proposed Pilot Community Housing Pre-development Fund**

The Pilot Community Housing Pre-development Fund is proposed to assist Community Housing Providers (including non-profit housing, housing co-operatives, community land trusts, and Indigenous housing organizations), Toronto Community Housing Corporation (TCHC) and Toronto Seniors Housing Corporation (TSHC) with the planning and pre-development costs associated with building new rent-controlled, affordable rental and RGI housing projects. Through the Pre-development Fund, projects will be eligible to receive a maximum of \$50,000 per RGI and affordable rental home in the form of interest free repayable loans due on first construction financing draw. The Pilot Community Housing Pre-development Fund, subject to approval of the report, will launch in 2024 to support community housing projects in pre-development stages.

The Pilot Community Housing Pre-development Fund is proposed to complement CMHC's Seed Funding which provides an interest free loan of up to \$350,000 (security to be provided where required) for a 3-year term; and a non-repayable contribution of up to \$150,000.

The City continues to work with Miziwe Biik Development Corporation, Toronto Alliance to End Homelessness and Co-operative Housing Federation of Toronto to review community housing sites for intensification and infill development potential.

Many of these sites are on Avenues and Major streets across the city and provide access to transit and variety of services in existing neighbourhoods. The Pilot Community Housing Pre-development Fund will be essential to Community Housing Providers, as well as TCHC and TSHC to investigate development potential and feasibility on a site-by-site basis, while supporting them to create additional capacity to prepare grants and planning applications.

### **Eligibility Criteria**

- Indigenous, non-profit, and co-operative housing providers with demonstrated interest and plans to expand their housing portfolio are eligible to apply for the fund. Private sector applicants are not eligible.
- Eligible project types include new construction of, and conversion of non-residential buildings into affordable housing, Indigenous housing, supportive housing, and mixed affordable and market housing.
  - Projects involving the acquisition of land/buildings are not eligible.

### **Application and Selection Process**

The City will accept applications from eligible proponents on a rolling basis. Applications will include:

- Information regarding the corporate and financial viability of the proponent organization and any partners;
- Summary of the proponent team's experience in development and operation of community housing;



- A description of the proposed project (e.g. housing type, affordability target, accessibility, energy efficiency, priority populations, other details)
- A description of the current status of the development project including land readiness, planning/zoning status, due diligence and design work; completed to date, if any, and financial plans and viability of the project
- A summary of the proposed use of the funds.

The Housing Secretariat will evaluate applications on the basis of the above criteria and any additional criteria that may be required, at the discretion of the Executive Director, Housing Secretariat.

## **City Benefits**

The City will provide a maximum contribution of \$50,000 per affordable and RGI home. Eligible costs include pre-development activities, including but not limited to:

- Analysis of need and demand for the proposed project
- Special purpose surveys
- Preliminary financial feasibility
- Business plans
- Registration of security
- Professional appraisal
- Site surveys
- Planning fees (for example, rezoning, development agreement costs)
- Preliminary design
- Project viability study
- Environment site assessments
- Geotechnical reports (soil load bearing tests)
- Energy modelling study (cost-benefit analysis)
- Accessibility modelling study (cost-benefit analysis)
- Engineering studies (for example, wind, shadow and traffic impact analyses)
- Project drawings and specifications
- Construction cost estimates
- Quantity surveyor
- Contract documents
- Development permits
- Final viability report
- Completion appraisals

## **Requirements**

- Proponents will be required to execute a pre-development agreement with the City outlining obligations of the Proponent with respect to the pre-development fund.
- Register a mortgage on title or any other appropriate security, as determined by the Executive Director, Housing Secretariat, in consultation with the City Solicitor, in favour of the City for the value of the City's pre-development funding as security.
- The pre-development agreement will include terms and conditions to allow for the repayment of the loan to be forgiven.

- The pre-development funding will be repayable by the proponents on the first construction financing draw. The repayable loans will be interest free.
- The pre-development loan may be forgiven at the sole discretion of the Executive Director, Housing Secretariat where the project:
  - Is determined to not be feasible as an affordable rental development as a result of findings of pre-development due-diligence;
  - Faces significant changes to project specifications as part of the pre-development due diligence work that render the project non-viable, including from a financial perspective;
  - Faces unresolvable barriers in securing construction financing; and
  - Such other conditions as the Executive Director, Housing Secretariat may deem necessary, in the Executive Director's sole discretion, to support Community Housing Providers in building additional RGI and affordable rental homes.
- Proponents will be required to meet the City's conditions related to progress on advancing the pre-development work. Specific requirements related to progress will be identified by the Executive Director, Housing Secretariat.