

City of Mississauga

# Corporate Report



Date: 2019/04/30

To: Chair and Members of Planning and Development Committee

From: Andrew Whittemore, M.U.R.P., Commissioner of Planning and Building

Originator's files:  
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Meeting date:  
2019/05/21

## Subject

**Rental Housing Protection By-law Guidelines**

## Recommendation

That the guidelines contained in the Report titled "Rental Housing Protection By-law Guidelines" dated April 30, 2019 from the Commissioner of Planning and Building, be endorsed.

## Report Highlights

- Protection of the existing affordable housing supply is an important component of the city's Housing Strategy.
- This report outlines the guidelines to obtain a permit under the Rental Housing Protection By-law which comes into effect on June 1, 2019.
- When purpose-built rental units are proposed for demolition or conversion, the applicant may replace the units either on-site, off-site in a comparable location, or in limited circumstances through a cash-in-lieu payment.
- Council is the approval authority for applications to demolish or convert rental units and for the use of the reserve funds.

## Background

Mississauga's Housing Strategy *Making Room for the Middle* considered three approaches to address housing affordability:

- *Retain* the existing affordable housing supply
- *Encourage* the creation of new units by the private sector and non-profit housing providers
- *Partner* with other orders of government to increase supply

The Rental Housing Protection By-law, enacted by Council in June 2018, is a key tool to address the *retain* objective. Additional policies to help encourage the creation of new units will be brought forward to Council later in 2019.

The by-law aims to protect the City's existing supply of 30,000 purpose-built rental units. Protection is important because a significant proportion of these units are older and more affordable than the comparatively newer private condominium rental stock. Additionally, Mississauga's current rental vacancy rate of 0.8% (2018) is much lower than a balanced market level of approximately 3%. New affordable rental buildings are not being created at a sufficient rate to satisfy demand.

The Rental Housing Protection By-law protects the existing rental supply by requiring the replacement of rental units until the market is balanced. The effective date of the by-law was delayed to June 1, 2019 to allow affected stakeholders to adjust to the new requirement and allow time for city staff to prepare the guidelines outlined in this report.

## Comments

The Rental Housing Protection By-law will reduce the economic incentive to redevelop rental buildings as condominiums, thereby protecting the existing affordable rental housing supply. Applicants can still redevelop their properties as long as the replacement provisions are addressed. This report provides an overview of how staff will administer the Rental Housing Protection By-law and issue Section 99.1 permits.

### When does the By-law apply?

The guidelines apply to both tenure conversion and the demolition of affordable purpose-built rental units.

**Tenure conversions** involve rental units being converted to condominium units without demolition. The city has received applications to convert approximately 40 units per year on average (apartments and townhouses) over the last 10 years.

**Demolition applications** involve the removal of rental units to facilitate the redevelopment of the property. On average, fewer than 10 purpose-built rental units are proposed for demolition annually.

All applications captured by the by-law will be brought forward to Council for approval.

### What conditions are to be imposed to replace rental units?

When an application to convert or demolish six or more purpose-built rental units occurs the following conditions apply:

- Each removed unit with rent under 1.75 times average market rent must be replaced with a new unit that remains rental for 20 years.
  - For the first 10 years the rental rates must be similar to the removed unit<sup>1</sup>. Rent in years 11-20 can be adjusted upward if the unit becomes vacant.
- The replacement units must have the same number of bedrooms as the removed units.
- Units can be replaced on-site, off-site or through a cash-in-lieu payment provided that:
  - off-site replacement is to be in a comparable location (proximity to transit, amenities and unit type as defined in the By-law).
  - cash-in-lieu payments are not permitted when rental units are located where major transit investments are planned (Hurontario Corridor and Dundas Corridor) or in a Major Transit Station Area. Replacement is required in these cases

### **When does the By-law not apply?**

Purpose-built rental units do not need to be replaced if any of the situations below are met:

- When under 6 units are converted/demolished
- When the city-wide vacancy rate is 3% or higher
- When the units proposed to be converted/demolished are not rented at an affordable rate (over 1.75 times Average Market Rent)

### **How much is the cash-in-lieu payment?**

The Rental Housing Protection By-law states that cash-in-lieu payments are for the replacement value of the rental units. This includes the cost to acquire land and construct the unit. Any cash-in-lieu funds collected would be allocated to the Housing Reserve Fund.

Set values have been determined through a market assessment by N. Barry Lyon Consultants. The value for each unit type has been determined based on land and construction cost as follows:

- Bachelor/One-Bedroom \$225,000 before parking
- Two-Bedroom \$255,000 before parking
- Three-Bedroom \$280,000 before parking

The requirement to include parking costs will be defined on an individual case-by-case basis and can range from \$40,000 to \$70,000 per parking space. These values will be reviewed periodically and updated in the guidelines.

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<sup>1</sup> Similar rents are defined as the last rent paid by the tenant with an increase no higher than the annual Provincial Guideline and a one-time capital allowance of 3%.

As an example, an application to demolish 20 purpose-built affordable rental units could expect to contribute in the order of \$5-\$6 million to the reserve fund. If the proposed redevelopment contains 200 condominium units, this cost would represent about \$25,000 to \$30,000 per new unit.

The Housing Reserve Fund will be formally established through an upcoming report by Finance staff. Funds collected under this by-law are not considered Section 37 contributions under the *Planning Act*.

### **How can the premature demolition of a residential building be prevented?**

The City's Property Standards By-law contains provisions to prevent the run-down of existing buildings and the City's Demolition Control By-law prevents the premature demolition of buildings before plans to redevelop are in place.

### **How will the Housing Reserve Fund be used?**

The funds collected from cash-in-lieu will be allocated for the development of new rental units supporting the objectives of the Housing Strategy. This may involve a partnership with the Region. Council will approve any proposed use of the Reserve Funds.

### **How will tenants be informed of an application?**

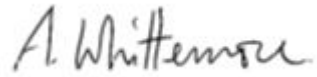
Applicants will be required to provide a tenant engagement plan which will inform tenants about the application, the process, the opportunity to make submissions to Council and staff, and their tenant rights under the *Residential Tenancies Act, 2006*. Tenants who return to the replaced units will benefit from the requirement that those units be offered at similar rents for up to 10 years.

## **Financial Impact**

Any cash-in-lieu of replacement housing payments will be collected in the Housing Reserve Fund and used to support the objectives of the Rental Housing Protection By-law. Any proposed use of the Reserve Funds will be presented to Council for approval.

## **Conclusion**

The guidelines in this report address a key component of the City's Housing Strategy: the retention of affordable rental units. The replacement and cash-in-lieu provisions of the by-law reduce the economic incentive to redevelop rental buildings as condominiums, thereby protecting the existing affordable units. Applicants can still redevelop their properties as long as the replacement provisions are addressed.



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