
CITY OF MISSISSAUGA
GUIDELINES FOR APPLICATION REVIEW
RENTAL HOUSING DEMOLITION OR CONVERSION

Endorsed by Mississauga City Council at its meeting on
June 5, 2019

City Planning Strategies Division
Planning and Building Department



GUIDELINES FOR APPLICATION REVIEW

RENTAL HOUSING DEMOLITION OR CONVERSION

Purpose

These **Guidelines for Application Review – Rental Housing Demolition or Conversion** (Guidelines) provide an overview of how to proceed when an application is made for a demolition or conversion of a residential rental property, either independent of or in conjunction with a development application. They support the administration of the **Rental Housing Protection By-law 121-2018** (By-law) approved June 20, 2018 and in effect June 1, 2019. The Guidelines were initially endorsed by Council on June 5, 2019. The Commissioner of Planning & Building is delegated the authority to develop and revise these Guidelines under s. 8(2) of the By-law.

Authority

The By-law was approved under the authority of Section 99.1 of the *Municipal Act, 2001*. This allows cities to regulate the demolition and conversion of residential rental properties containing six or more units. Applications to demolish or convert more than six dwelling units will require a Section 99.1 permit. In most cases, a Section 99.1 Permit will require Council approval. This by-law is consistent with Mississauga Official Plan Policy 7.2.12, which prohibits demolitions and conversions if the supply of affordable rental housing is adversely affected.

Background

Purpose-built rental housing is an important part of the city's housing supply. The loss of affordable rental housing that is affordable to low and moderate income households or less than 1.75 times average market rent has become a growing concern in recent years. As the city continues to grow there is an ongoing need to protect affordable rental housing to ensure that diverse housing options remain in Mississauga.

The existing rental housing supply is comprised of approximately 30,000 units in 350 apartment buildings and townhouse developments. The supply is older, with most units built nearly 50 years ago. There has been limited new development over the last 20 years and an average of 70 units per-year converted from rental to condominium tenure (50 per year over the last decade). A total of 55 units have been demolished.

The Rental Housing Protection By-law implements Actions 12 and 13 of the City's Housing Strategy and Action Plan, Making Room for the Middle. It was approved as a two-year pilot.

Objectives

Rental housing provides stable housing options for low and middle income households when home ownership is not financially feasible or where rental tenure is preferred. The objectives of the Rental Housing Protection By-law are to:

- **protect** the existing supply of purpose-built rental units so there is no net loss of rental units;
- **be flexible** in the application of the By-law so as not to stagnate the rental market; and,
- **support** the revitalization of areas in the City where appropriate.

These Guidelines provide a range of options for applicants to meet the objective of no net loss of affordable rental units as a result of a development proposal.

Determining when the By-law applies

- The By-law applies to proposals to demolish or convert to condominium tenure residential rental properties containing six or more dwelling units. This includes apartments or townhouses that were built at the outset as rental housing.
- The By-law does not apply to second units, equity co-operatives, co-ownership properties, lodging homes, life lease projects and designated and non-profit housing projects owned, operated or managed by Peel Region or Peel Living.

Application Process & Information Required

- An application to demolish or convert residential rental properties where there are six or more dwelling units will trigger the need for a municipal review.
- The application form can be found on the City's Rental Housing Protection website: <http://www.mississauga.ca/portal/residents/rental-housing-protection>
- Demolition and conversion applications are evaluated on a case-by-case basis.
- As outlined under s. 9 of the By-law, applications for the demolition or conversion of rental units shall include the following information:
 - description of the proposed demolition or conversion;
 - the number of existing dwelling units;
 - the number of existing and proposed rental units by unit type, including number of bedroom and floor area;

- the rent roll(s) including utilities for each of the existing rental units within the residential rental property, categorized by unit type;
 - a list containing the names and mailing addresses of the tenants of the residential rental property proposed for demolition or conversion;
 - identification of any related planning applications;
 - where applicable, a proposal for the replacement or retention of the rental units proposed for demolition or conversion;
 - a proposal for tenant engagement by the owner or applicant, including consultation and education;
 - any additional information or documentation required to evaluate the application, as specified by the Commissioner; and,
 - applicable fees (Note: there are no additional fees for conversion or demolition beyond the fees for a condominium conversion and planning application during the Pilot for the Rental Housing Protection By-law).
- The application process will determine the number of units that are protected under the By-law, and the types of conditions that may be imposed on a Section 99.1 Permit. Applicants will be required to fill out a form that includes data on existing unit types and rents (Attachment A).
 - Section 99.1 Permits may be granted based on conditions to retain or replace affordable rental units to be secured by an agreement registered on title.

Evaluation of Applications

The evaluation process will rely on CMHC data for vacancy rates and existing rents to determine when the replacement or retention of rental units is required. This data will be updated yearly and contained in the Guidelines (below) and posted on the City's Rental Housing Protection website: <http://www.mississauga.ca/portal/residents/rental-housing-protection>.

Purpose-built rental units must be replaced or retained when one or both of the following situations are present:

- the City's vacancy rate is less than 3% (current vacancy rate is 1.2%); or,
- existing rents for the units proposed to be converted or demolished are less than the affordable rate of 1.75 times average market rent (see table below for rents by unit type).

2019 CMHC Rents City of Mississauga		
	Average Market Rent	1.75 x Average Market Rent
Apartment		
Bachelor	\$1,007	\$1,762
1 Bedroom	\$1,297	\$2,270
2 Bedroom	\$1,466	\$2,566
3 Bedroom +	\$1,606	\$2,811
Townhouse		
2 Bedroom	\$1,303	\$2,280
3 Bedroom +	\$1,724	\$3,017
*CMHC Rental Market Report (2019)		

When neither of the above situations is present, a permit for demolition or conversion **will be** issued without conditions for replacement or retention of the rental units.

However, when vacancy rates are **below** a balanced market threshold of 3% and/or rent levels are **below** 1.75 times average market rent, a permit for demolition or conversion **may be** issued subject to appropriate conditions for replacement or retention of rental units to be secured by an agreement registered on title.

Replacement of Rental Units (Demolitions)

Where demolitions of rental units are proposed and replacement of the affordable rental units is required, the City and the applicant will be required to enter into legal agreement(s) registered on title to secure the replacement obligations, which will be based on the following as outlined under s. 21 of the By-law:

- One-to-one (100%) replacement of affordable rental units for a period up to 20 years.
- Each affordable rental unit will be replaced with the same type of unit (unit type is defined by the number of bedrooms).
- Replacement units will have similar rents for a period of 10 years.
- Affordable rental units may be replaced on-site, off-site or through a cash-in-lieu contribution associated with replacement or retention requirements.

Off-site Replacement of Rental Units

The off-site replacement of affordable rental units may be considered when the applicant has demonstrated that on-site replacement is not feasible or appropriate, or that off-site replacement in a comparable location is preferred.

As outlined under s. 25 of the By-law, comparable locations include but are not limited to consideration of the following factors:

- type of residential rental property (apartment or townhouse);
- proximity to existing and proposed transportation options, including transit service;
- proximity to community infrastructure such as, recreational facilities, libraries, police stations, schools and places of religious assembly;
- proximity to commercial services and amenities; and,
- the timeframe when the new affordable rental units will be available for occupancy.

The applicant will provide a rationale to justify that the location is comparable.

Cash-in-lieu Replacement of Rental Units

Cash-in-lieu contributions for the replacement value of the units may be considered where units cannot be replaced on-site as specified in the Rental Housing Protection By-law.

Cash-in-lieu contributions include the cost to acquire land and construct the unit without 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 and updated annually.

2019 Rental Unit Replacement Values	
Unit Type	Value
Bachelor/ 1-Bedroom	\$225,000
2-Bedroom	\$255,000
3-Bedroom	\$280,000

Source: NBLC Market Assessment, 2019

Calculation of Value Methodology

Cash-in-lieu values by type of unit (above table) have been determined through a market assessment. The methodology for the replacement value included calculations of:

- **Hard construction costs** using prototypical construction cost estimates from the Altus 2019 Canadian Cost Guide.
- **Soft development costs** using the Altus 2019 Canadian Cost Guide and observations from NBLC.
- **Land value** using average transaction prices from mid- and high-rise apartments during the last 2 years.

Construction costs can vary significantly from property to property and can be influenced by a wide range of factors. The market assessment to determine values includes a high-level range of prototypical development costs and uses mid-point of each cost range for hard and soft costs and land value.

These contributions will not be permitted where affordable rental units are located:

- along Hurontario Street and Dundas Street; or,
- within designated Major Transit Station Areas.

Cash-in-lieu contributions will be directed to the City's Housing Reserve Fund that will be used for the development of new rental units. Every opportunity will be taken to ensure these funds are applied to the community from which the units are removed. These funds are distinct from any other contributions that might be secured for community benefits or the Community Benefit Charge.

Retention of Rental Units (Conversions)

Where conversions to condominium tenure of rental units are proposed and retention of the affordable rental units is required, agreements will be needed to retain the units based on the following:

- One-to-one (100%) retention of affordable rental units for a period up to 20 years.
- Retained units will maintain similar rents for a period of 10 years.
- A cash-in-lieu contribution to a housing reserve fund may be permitted in-lieu of retention associated with retention requirements.

Tenants

- Applications for conversion and demolition will include information on tenants' proof of notice of the application within 14 days of the submission of the application.
- Applicants for demolition or conversion of affordable rental units will be required to inform tenants of their rights, including a consultation program.
- City will require proof that tenants have been informed of the application, have demonstrated they understand their rights and retained or waived their right of first refusal for affordable rental units.

Section 99.1 Process (Step-by-Step)

- The decision to approve applications that demolish/convert less than six rental units is delegated to the Commissioner of Planning and Building.
- The decision to approve applications that demolish/convert six or more units is made by Council.

Conversion

- Pre-consultation – applicant informed of City's Rental Housing Protection By-law and the requirements to retain residential rental units.
- Complete Application – information on rental rates and number of units, consultation with tenants and proof that tenants are aware of the application and their rights.
- Circulation and review of application.
- Identification of number of units to be retained as rental and recommended terms.
- Applicant proposal received and evaluated.
- Report to Council – City staff recommendation report to Council, if required.
- Council Decision (or Commissioner by delegated authority), including any conditions on an approved permit.
- Applicant and staff collaborate to clear conditions (i.e. Agreements to retain affordable rental units executed, etc.)
- Permit issued by Commissioner once all condition satisfied or secured (By-law s.37).

Demolition

- Pre-consultation – applicant informed of City's Rental Housing Protection By-law and the requirements to replace residential rental units on-site, off-site or by cash-in-lieu where applicable.
- Complete Application – information on rental rates and number of units, consultation with tenants and proof that tenants are aware of the application and their rights.
- Circulation and review of application.
- Identification of number of units to be replaced as rental and recommended terms.

- Applicant proposal received and evaluated.
- Report to Council – City staff recommendation report to Council, if required.
- Council Decision (or Commissioner by delegated authority), including any conditions on an approved permit.
- Applicant and staff collaborate to clear conditions (i.e. Agreements to replace affordable rental units executed, etc.)
- Permit issued by Commissioner once all condition satisfied or secured (By-law s.37).

Attachment A: Rental Information Table

Table to be completed for application to demolish or convert rental units

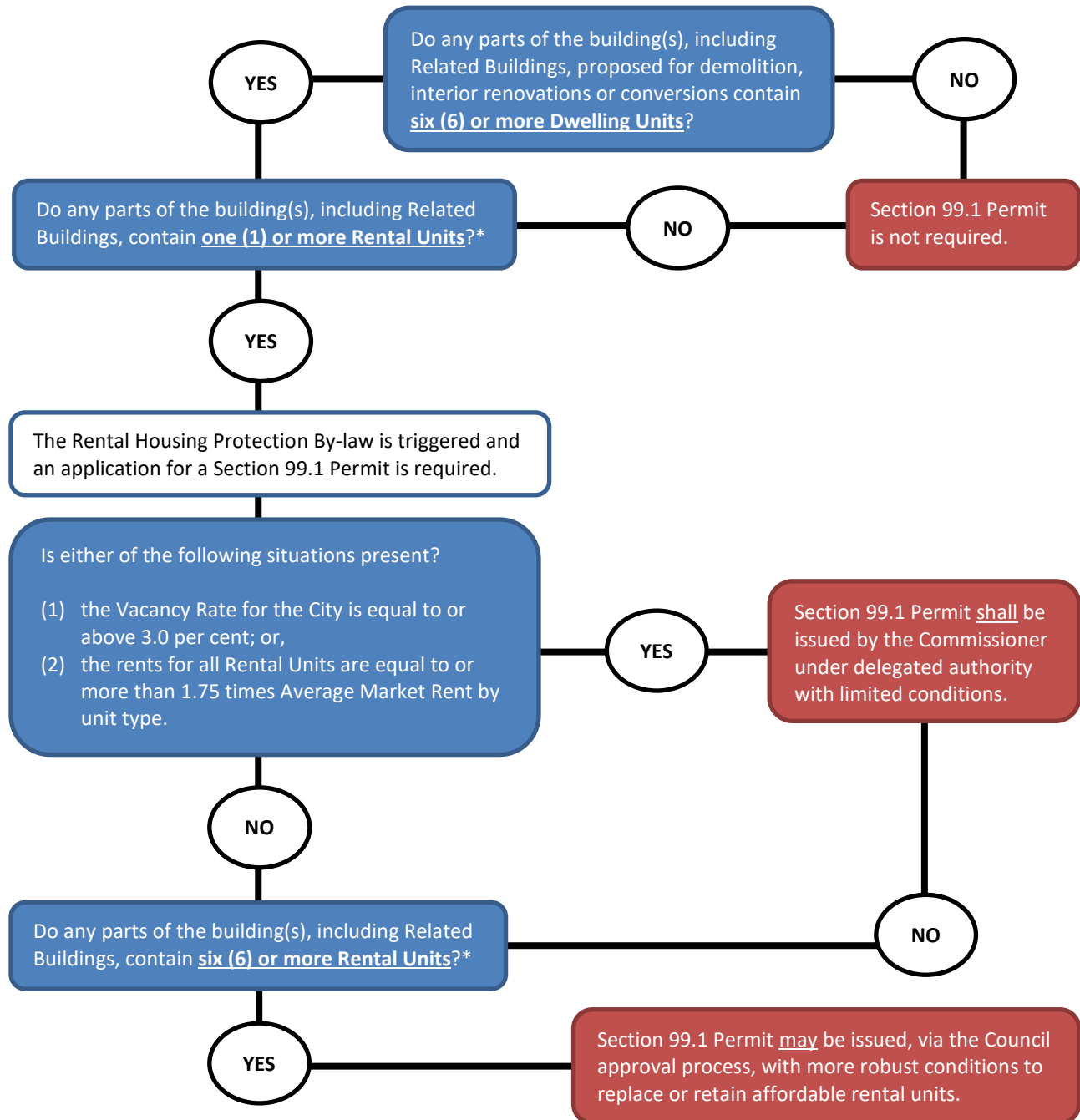
Summary of Existing Rental Unit Types and Rent					
Unit Type	Average Market Rent (AMR)*	Number of Units Below Affordable Threshold (Less than 175% of AMR)	Affordable Threshold (175% of AMR)	Number of Units Above Affordable Threshold (Greater than 175% of AMR)	Total Units
<i>Apartment</i>					
Bachelor	\$1,007		\$1,762		
1-Bedroom	\$1,297		\$2,270		
2-Bedroom	\$1,466		\$2,566		
3-Bedroom +	\$1,606		\$2,811		
<i>Townhouse</i>					
2-Bedroom	\$1,303		\$2,280		
3-Bedroom +	\$1,724		\$3,017		
Other					
Total**					

*Based on CMHC Rental Market Report (October 2019).

**Ensure that the totals for all columns are noted and that the grand total comprises 100% of the existing rental units for the property.

Attachment B: Flowchart illustrating when the By-law applies

The following flowchart is for general information only and is not intended to be determinative. Prospective applicants should discuss their proposal directly with City staff to determine the need to apply for a Section 99.1 Permit.



***Rental Unit** means a dwelling unit used, or intended for use, for residential rental purposes. This includes a dwelling unit that has been used for residential rental purposes and is vacant.

Note: the Commissioner is authorized to approve an application when the Residential Rental Property at the time of the application has six or more Rental Units, and: (a) The combined number of existing Rental Units affected by the proposed Demolition or Conversion and any previous Demolition or Conversion activities within the preceding five-year period is less than six; and (b) The proposed Demolition or Conversion will not reduce the number of Rental Units to less than six.