

December 4, 2020

Christine Ono, Senior Planner  
City Planning Division  
Strategic Initiatives, Policy & Analysis  
Metro Hall  
55 John Street, 22<sup>nd</sup> Floor  
Toronto, Ontario, M5V 3C6

**RE: Inclusionary Zoning Draft Official Plan Amendment and Zoning By-law Amendment**

Dear Ms. Ono,

On behalf of the Toronto Regional Real Estate Board (TRREB), I would like to provide further input on the City of Toronto's current consultations on Inclusionary Zoning as it pertains to the draft Official Plan Amendment and Zoning By-law Amendment that outline how inclusionary zoning would apply in Toronto once the policy is adopted.

TRREB believes that housing affordability challenges in the City of Toronto are largely a result of inadequate and inappropriate housing supply and mix. The best long-term solution to housing affordability is to increase the supply of available housing and to encourage a more balanced mix of housing types. TRREB has published research on 'missing middle' housing in the past and will be releasing more research in its February 2021 *Market Year in Review and Outlook* report. In this regard, inclusionary zoning policies may be able to help address Toronto's housing needs.

We commend the City for initiating this conversation and support the goal of increasing the supply of affordable housing. However, TRREB needs to review the detailed proposed guidelines for inclusionary zoning policies, which will be released at a later date, before we can comment on how this policy will impact the housing market.

For now, TRREB would like to comment on a few items that we hope staff will consider and include in the final report.

## **Proposed “Affordable Rent” Definition**

1. The proposed affordable rental definition uses census data for the income measure. The census is updated every five years. It is anticipated that in between census years, the City will apply a CPI +/- inflation adjustment or some other reasonable measure like wage and salary inflation from Statistics Canada’s Labour Force Survey. In an extraordinary year such as 2020, average median income may fluctuate significantly and throw the measure off.
2. The average monthly rent (AMR) used in the proposed affordable definition is a City-wide measure. However, actual rents vary depending on where one resides in the City. Is there a risk that using a City-wide AMR measure could create a greater rental subsidy for those affordable units in the most expensive market areas, which in reality have higher rents? Both TRREB and CMHC provide market rent measures at the sub-municipal levels.
3. There is an assumption in the definition that bachelor and one-bedroom units will be occupied by one person. It is possible that such units could in reality be occupied by two people? Is the income measure being used in the definition for these units therefore skewed negatively in this case?

## **Delay Implementation Date of IZ Policy**

As it currently stands, the City is on track to start implementing the Inclusionary Zoning Policy on January 1, 2022. Given that the housing market situation is changing due to the COVID-19 pandemic, the Major Transit Station Areas (MTSA) are not being finalized yet, and the Community Benefits Charge mechanism and detailed guidelines (replacing Section 37) are also not yet completed, TRREB proposes that the City consider delaying the implementation date of the inclusionary zoning policy.

This will help ensure that enough time is allowed to review and finalize these aspects of the policy, and allow enough time for a proper transition period.

## Critical Success Factors

TRREB's forthcoming input will consider the following:

1. Should the City consider following the advice of the financial feasibility consultant and also consider the feedback on the consultant pro forma model from the development industry (i.e., the model must be properly vetted)? If the consultant suggests only a certain inclusionary 'ask' is possible given market dynamics and projections, then it may be reasonable for the City to only ask for that much and not more. It could be beneficial to leave some margin on the table, at least in the beginning, to ensure the policy works and creates units. One can increase the 'ask' in the future as the 'take up' increases and once the market adjusts to the new paradigm. The developer and the City should work together to ensure mutual interests are met and that the policy is not punitive. In an ideal scenario, supply should not be negatively impacted, and this should be an eventual goal.
2. Should the City have policies, procedures and controls in place to ensure compliance and enforcement? This could ensure that only those who are entitled to affordable units are able to rent or purchase them. There has to be adequate stewardship of units. Mechanisms could also be in place to monitor income levels of occupants periodically to ensure eligibility criteria continue to be met. This could be done centrally via a non-profit organization that the City contracts the work with, or via an internal Agency (e.g., Housing Secretariat).
3. The City has to be very clear with communication – to make sure that the public understands what inclusionary zoning is and what it is not. There must also be clear and transparent communication with developers, so they know exactly what is required of them. The process and policy must be predictable and understandable. Developers who adopt the policy and create units must be congratulated and recognized, to spur further uptake.
4. Should funding mechanisms be created (with higher levels of government) to cover condominium maintenance fees and other repairs to affordable units? This could help protect the value of the investment and ensure they are preserved. Ideally, these could be self-funding, but if that is not possible, should some sort of ongoing funding process be put in place?

5. The City may need to review whether the new community charge benefit mechanism will apply in the same manner to condominium developments subject to inclusionary zoning, as opposed to other developments that are exempt. Since there is already a land value capture element within the inclusionary zoning pro-forma, should it be double counted when the community charge benefit calculation is incorporated? Perhaps the City can consider a lower charge to be appropriate for inclusionary units.

6. The City is presently not proposing any incentives unless developers exceed the proposed inclusionary targets and provide deeper affordability. This may need to be revisited, based on developer analysis and feedback and comments on the financial feasibility model.

7. The City could devise a 'one-stop' shop portal to enable eligible candidates to view and apply for units, as well as for developers to list affordable units. The process must be simple and transparent, but have robust controls.

#### **Other Issues to Be Considered**

1. The policy should be crafted in a manner that enables and facilitates compliance by developers.

2. Would it be appropriate to have a process to ensure that displaced residents (as a result of condominium construction subject to inclusionary zoning) who meet the eligibility criteria have first selection of inclusionary units?


3. The City may want to consider whether bachelor units should be included in the 'affordable' mix. If they are a high profit item for developers, then potentially exempting them from the requirements may assist a developer in more readily meeting the inclusionary target.

4. Would the City's minimum development thresholds and the province's Major Transit Station Areas requirements result in developers constructing units just below the threshold (e.g., 99 or less and just farther away from 800m from transit)?

5. There is a risk that land prices do not adjust properly or adequately once the policy is implemented. This has to be monitored because it will impact the developer pro-forma and investment decision. Landowners may need time to get used to the policy, so it may be appropriate to adjust the policy again after some time has passed.

Thank you for the opportunity to provide our views. TRREB would like to offer additional input once the detailed guidance documentation is released for stakeholder consideration, as we want to be part of the solution to meeting the City's housing needs and objectives, and we look forward to continued dialogue in this regard.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Patel". The signature is fluid and cursive, with the first name "Lisa" written in a larger, more prominent script than the last name "Patel".

Lisa Patel  
President