Purpose-Built Rental Housing

2022 Apr 06

Greater Toronto Apartment Association

Mississauga

Purpose-Built Rental

- Mississauga’s current rental stock (Corporate Report 9.8, Nov 2021)
  - 337 buildings
  - 30,322 units
  - 2-storeys or taller, 6 units or more

Rental Projects Completed since 2005
(Urbanation Q4-2021)

- Skyrise by Daniels Gateway at 2550 Eglinton Ave West:
  - 323 units, 25 storey, 2016
- Bridgewood by Timbercreek Communities at1855 Bloor St
  - 80 units, 4 storey, 2016
- The Huron by Starlight / DMS at 2475 Hurontario St
  - 81 units, 6 storey, 2020

Increase in purpose-built rental stock since 2005 (or earlier): 484 units

Under Construction
(Urbanation Q4-2021)

- The Kay by Killam REIT at 1355 Silver Spear Road
  - 128 units, 12 storey, was Q1-2022 – now Q4 2022
- 185 Enfield Place (Phase 1) by GWL at 185 Enfield Place
  - 366 units, 36 storey, Q2-2023
- Rental Residences at Square One District by Oxford/AIMco
  - 430 units, 37 storey, Q3-2024
- Bristol Court by QuadReal at 6570 Glen Erin Drive
  - 174 units, 12 storey, Q4-2023
- 2340 Confederation Parkway
  - 82 units, starting soon for 2024 opening

Net increase now thru Q4 2024: 1,180 units

Population

Population, Demographics & Housing, Mississauga EDO (July 2021)

City of Mississauga - Population, Demographics &Housing

Population Growth and Forecast

Year	Population
1975	234,975
1980	298,045
1985	365,300
1990	446,000
1995	528,000
2000	610,700
2006[1]	700,000
2011[2]	743,000
2016[2]	766,000
2031[3]	829,000
2041[3]	878,400
2051[3]	930,800

Source: City of Mississauga Long-Range Forecasts 2011-2051 (2013), City of Mississauga Planning and Building Department and Statistics Canada Census data
Note: [1] represents Census mid-year actuals
[2] represents City of Mississauga Census adjustment
[3] represents City of Mississauga mid-year projections

- Mississauga's 2016 year end population was 766,000.
- The city's population is expected to grow to 930,800 by 2051.

Mississauga Real Estate Board
February 2022 Report

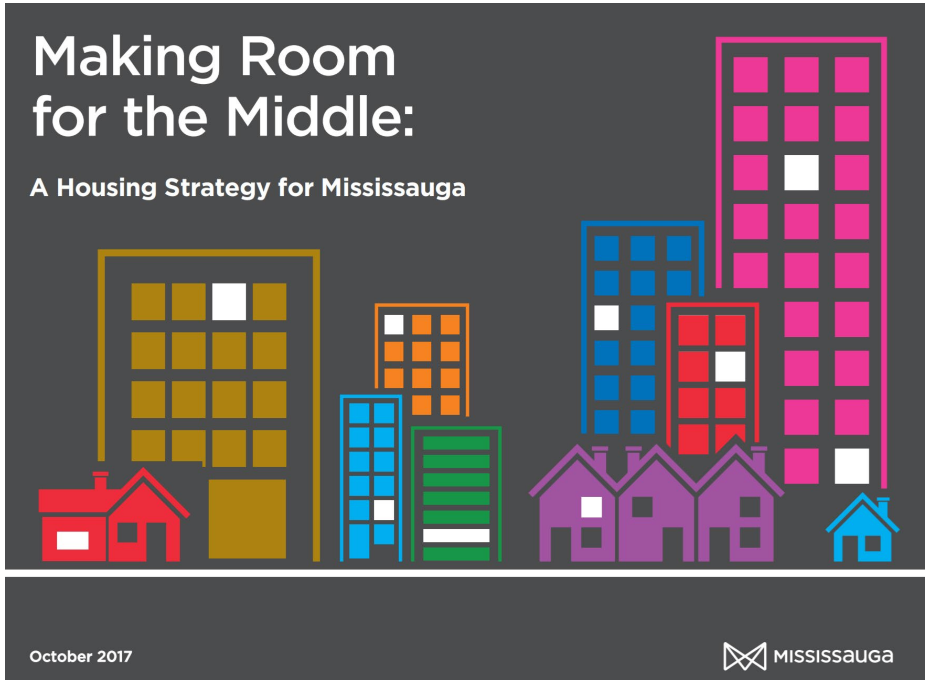
- Ownership benchmark is now $1,356,000

- Single-family: $1,619,500
- Townhouse/Row: $1,111,800
- Condominium: $ 748,400

Affordable Housing Program
(2016 Apr)

There is a need to increase the supply of rental housing for all income levels and all household sizes to address the very low vacancy rates and provide choice for all households in Mississauga. The City can help address this gap by providing incentives to encourage the development of purpose-built rental housing throughout the City but with a focus on areas with good access to transit and services. Incentives can be provided on a sliding scale depending on how closely the proposed projects meet the need in terms of affordability and unit size.

Making Room for the Middle
(2017 Oct)



Rental Housing

Rental housing provides choice in a variety of life circumstances and security of tenure to households for which ownership is not an option. Rental housing includes market rental, for the workforce, and affordable rental, for those with the greatest housing needs. Mississauga aims to preserve and enhance its rental housing supply to maintain the diversity in its housing stock.

- Mississauga is striving to achieve a balanced rental market
- The City has had very low vacancy rates for several years in both the purpose-built units (primary market) and other rental units like rented condominium apartments (secondary market)
- Mississauga needs new supply of all types of rental units
- Existing rental units should be maintained, preserved or, where proposed for removal, replaced
- Market rental units that provide choice for middle income households should be supported
- Affordable rental units have monthly rents of approximately $1,200 according to the Provincial Policy Statement

3%

A vacancy rate at or above 3% represents a balanced rental market

Remove Barriers
(Making Room for the Middle)

Reassess City charges and taxes

Charges and taxes can affect the financial viability and sustainability of an affordable housing project. It is important to ensure that affordable housing projects pay an equitable share and that charges are not unintentionally discouraging some types of needed housing such as affordable family size units

10 Review the Development Charges By-law to identify opportunities to promote a broad mix of affordable units

11 Review property taxation for rental buildings to reduce any inadvertent disincentive

Make the pro forma work

Real estate fees, development charges, and property taxes represent a significant expense for building owners and developers. For this reason, exemptions and deferrals that reduce an owner's costs can be a powerful incentive tool to induce investment in the construction, rehabilitation, or maintenance of the City's housing stock

15 The Region should consider the deferral of development charges on the portion of affordable units provided in new construction

16 Establish a Property Tax Deferral Program in partnerships with the Region for the production of new housing affordable to the middle income households

17 Explore incentives to support inclusionary zoning

Policy Options for Housing Brampton
(2021 Feb)

- *Policy 2: Incentivize the supply of affordable and purpose-built rental housing by planning, financial and other tools.*
  - Action 3: Prioritize purpose-built rental housing by participating in Region of Peel's Incentive Pilot Program for Middle Income Affordable Rental Housing
  - Action 4: Support the Region's DC Interest Rate Policy for affordable and market rental housing
  - Action 6: Analyse the Section 37, Community Benefit Charge and Development Charges frameworks
  - Action 8: Explore rebate of municipal fees and charges (DCs, applications, permits) through appropriate programs/tools (CIP/MCFB).
  - Action 10: Prioritise purpose-built rental housing by exploring municipal revenue tools to finance supply (Tax Increment Financing).

Proposed Municipal Charges & Fees
(NBLC 2022 Feb)

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For numerous reasons, rental development is already at a significant economic disadvantage compared to condominium development. Within the current policy environment, only three of the six test sites are estimated to support a positive land value as a purpose-built rental apartment project. Given this, the proposed policies would further exacerbate the challenges faced in creating new purpose-built rental housing development.

Proposed Municipal Charges & Fees
(NBLC 2022 Feb)

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Rental Demand is Also Driven by Affordability

Declining homeownership affordability has also driven an increasing level of rental housing demand in Mississauga. Since 2018, the City of Mississauga recorded 1,472 rental housing starts (12% of total housing starts). As a point of comparison, Mississauga recorded only 913 rental housing starts in the preceding fifteen years (2% of housing starts). It is important to note, however, that investment in purpose-built rental development has almost entirely been concentrated in situations where lands have been owned for a long period of time, and often where another economically productive land use has been in place to capitalize the initial land purchase. For example, there has been a trend of existing purpose-built rental landowners intensifying their properties by adding additional rental apartments, and similarly with retail site intensification.

Notwithstanding the above-noted increase, this supply of new purpose-built rental apartment units has been inadequate to meet the growing level of rental housing demand in Mississauga.

Proposed Municipal Charges & Fees
(NBLC 2022 Feb)

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6.8 Rental Housing Would be Significantly Impacted

Notwithstanding the recent surge in rental demand, condominium uses almost universally produce higher land values than rental uses in the GTA. Recent rental housing development has been primarily limited to long-time landowners, often where the initial land acquisition cost of a site has been capitalized by a previous land use. For example, many retail centres are intensifying by adding high-density residential uses onto their site. There are several reasons that put rental housing at this disadvantage in Ontario:

- **Financing** – For condominium projects, financing can be supported with less equity due to the pre-sale process which provides lenders with greater assurance of the project's viability, years before the development is complete. The equity requirements for rental buildings can therefore be as high as 50% of the total costs, compared to condominium projects where the requirement is typically 25%.
- **Revenue** – Rental projects require developers to go many years into the development process without any revenue. Further, even once the building is constructed, it can take months for the building to become fully occupied. In a condominium project, purchasers' deposits can form an inexpensive source of financing, subject to obtaining deposit insurance. When the development can be occupied, developers can immediately charge all purchasers interim occupancy rents until the project registers and the purchasers complete their sale agreements.
- **Market and Risk** – For many developers, the market opportunity for condominium development offers much less risk and relatively quick returns compared to rental development.

Rental Project Financing

- Costs
  - Land, hard (construction) and soft (legal, arch, govt fees) costs same as for-sale product
  - No pre-sales
  - Typically 1/3 self-funded
- Personal or equity-based guarantee for balance
  - Construction loan draw down
  - Lease up usually 18 months (pre-pandemic) after completion
  - Loan converted to traditional mortgage
- Pro forma established before proceeding
  - Long process creates risk exposure (increased costs)
  - Increased costs may exceed anticipated rental income (not flexible)

Retain Existing Projects

- Pipeline includes a long term large project
- Near term is insufficient to meet growing need and City’s objectives
- Competition for capital investment
  - Locally: Toronto, Brampton, York Region
    - Hard costs essentially the same across region
  - Further: southern Ontario, across Canada, various US markets
  - Other asset classes

Considerations

- Financial incentives
  - Exemption better than Reduction better than Deferral
  - Community Improvement Plan (CIP)
  - Tax Increment Equivalent Grant (TIEG)
  - Municipal Fees/Charges
    - Development Charge/Parkland Dedication/CBC(Section 37)
    - Permit Fees/Application Fees
    - Ongoing Property Taxes
  - Fast tracking (assists with cost certainty)
  - Other costs not directly related (roads, etc)

Greater Toronto Apartment Association
(GTAA)

- GTAA was founded in August 1998 to be the voice for the rental housing industry in the Greater Toronto area. With nearly 25 years of experience, the association is widely recognized by municipal governments and the industry as the premiere rental apartment industry association.
- GTAA Members own and manage more than 150,000 units of multifamily, purpose-built rental housing across the GTA.
- GTAA operates as a not-for-profit business; and separately operates the GTAA Charitable Foundation (CRA Registered Charity 866442494 RR 0001) since 2005 and has donated more than $2 million to local organizations.

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