March 30, 2022

To: City of Mississauga

From: Daryl Chong, Greater Toronto Apartment Association

Re: Apartment Industry Comments

The Greater Toronto Apartment Association ("GTAA") represents the interests of the multi-family, purpose-built rental housing industry. Our members own and manage more than 150,000 units of multi-family, purpose-built rental housing across the GTA, with many apartment buildings in Mississauga.

Mississauga's current rental stock (Corporate Report 9.8, Nov 2021) is 30,322 units contained in 337 buildings that are 2-storeys or taller, with 6 units or more. This serves a population of more than 766,000 residents (2016).

<u>Chronic shortage of new rental</u>

Based on Urbanation reports, only 3 new purpose-built rental buildings have opened since 2005 (Urbanation started tracking new rental in 2005).

- Skyrise by Daniels Gateway at 2550 Eglinton Ave West:
  - 323 units, 25 storey, 2016
- Bridgewood by Timbercreek Communities at 1855 Bloor St
  - 80 units, 4 storey, 2016
- The Huron by Starlight / DMS at 2475 Hurontario St
  - 81 units, 6 storey, 2020

The net increase in Mississauga's purpose-built rental stock since 2005 is 484 new units. It is safe to assume that in there was negligible (perhaps no) new rental development during the decade prior. Only 484 new units were added to the purpose-built rental inventory during the past 16 years, perhaps past 25 years or more.

Mississauga's population was 700,000 in 2006 and 528,000 in 1995.

<u>Currently under construction</u>

There are 5 rental projects currently under construction. This will add 1,180 units by the end of 2024.

- 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, construction starting Q2-2022, for 2024 opening

<u>How much new rental is required?</u>

Mississauga's rental requirement is not quantified. The Mississauga Real Estate Board reported in February 2022 that the home ownership benchmark is now $1,356,600 in Mississauga.

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

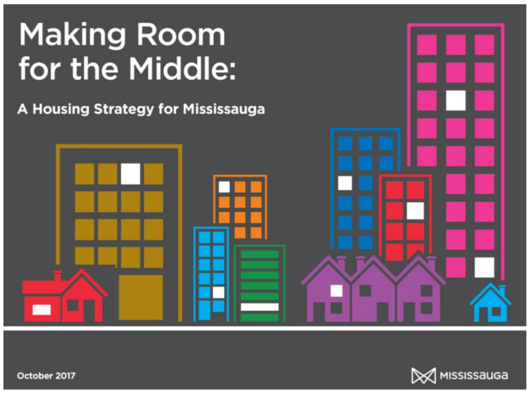
Based on the entry cost of ownership, and the continual steep increase to prices, the need for purpose-built rental is significant.

Mississauga has published several studies and reports consistently identifying the need for incentives to encourage the development of purpose-built rental housing for all income levels – market rental, for the workforce, and affordable rental.

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

Last year, Policy Options for Housing Brampton (2021 Feb) identified a set of policies and actions.

- *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).

Toronto Planning's Right Sizing Housing Report report in May 2021 quantified that the City of Toronto requires 4,114 new market rental units to be opened each year for 35 years (2016-2051) to meet the populations' needs. Toronto currently averages only 1,565 new purpose-built rental units each year. The shortage is 2,549 units/year.

Right Sizing Housing Report
Toronto Planning Profile – 2021 May
(Citation from page 105)

> **The average number of annual rental completions would need to increase by 2,549 between 2016 and 2051 to fulfill the Base Scenario demand for these units (Row J).** Within Toronto, 4,114 rental units would need to be built annually in order to fulfill the increase in younger generations' demands in the 35 years between 2016 and 2051 (Row I). This number includes 2,549 more rental units annually on top of the 1,565 average annual rental completions that were built in the 35 years between 1985 and 2019 (Rows G and H). Given that 4,114 or more rental completions per year has only been achieved once in that time period (in 1993), it is very unlikely that this level of rental development could be achieved consistently in the future without expanded policy and program support for the rental housing sector.

Toronto Planning's report clearly states that meeting this rental requirement is unlikely without policy and support for the rental sector.

Rental Project Financing

Rental project viability is a challenge. This is demonstrated by the absence of rental construction over the past decades, even though there is considerable demand.

Land, hard (construction) and soft (legal, arch, government charges/fees) costs are essentially the same when rental is compared to for-sale condominium projects. A typical condominium will have significant pre-sales (70%+), and those units are contractually bound to predetermined payment upon completion. However, there are no pre-sales or pre-leasing in a rental project. Typically, 30-40% of the project cost needs to be used as collateral. This personal or equity-based guarantee is used to secure funds to be drawn from to pay for construction. Upon completion, occupancy usually takes 18 months to get to reasonably filled levels (80% occupied). The loan is then converted into a traditional mortgage.

Each project's pro forma is established before deciding to proceed. A lengthy process creates exposure to risk, especially increased costs.

Project capital and operating costs are slowly recovered, one month at a time, one unit at a time, via rent payments.

Each project must be viable to secure financing.

Considerations

Recent construction cost increases could negatively affect progress rental proposals in the development pipeline. Financial incentives would help ensure project completion, and new rental units. They type (exemption, waiver, discount, deferral, etc) and program that the City can offer (CIP, TIEG, etc) is generally less important than the cumulative amount.

Fast tracking assists with cost certainty and is very valuable.

Collectively these would be helpful to maintain existing proposals through to completion and attract new projects. Investment capital is mobile, and may shift to other local cities, further to southern Ontario, across Canada, and to various US markets. Other asset classes are also options.

Financial incentives are required to produce much needed rental housing in Mississauga.

For more information, please contact:

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