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Subject: **Information Report - City-Initiated Official Plan Amendment
(Residential Rental Conversion and Demolition)**

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Recommendations:

1. **THAT** the report titled “Information Report – City-Initiated Official Plan Amendment (Residential Rental Conversion and Demolition Policy)” to the Planning and Development Committee meeting of October 18, 2021, be received; and
2. **THAT** staff be directed to report back to Planning and Development Committee with the results of the Public Meeting and a staff recommendation.

Overview:

- ***Housing Brampton***, the City’s Housing Strategy and Action Plan, was approved and endorsed by Council on May 19th, 2021. This draft Official Plan Amendment is a deliverable of ***Housing Brampton***.
- Primary, purpose-built rental housing has an integral role in Brampton’s housing system, providing more stable, secure and relatively affordable rental options than Brampton’s secondary rental market (e.g., rented condominiums).

- **There has been a minimal increase in the total number of new purpose-built rental projects in the City in recent years. Housing Brampton focuses on new policies to encourage and incentivize the supply of new rental housing. At the same time, protecting the existing purpose-built rental stock is imperative.**
- **The purpose of this report and the statutory public meeting is to present the draft City-Initiated Official Plan Amendment to regulate rental conversion and demolition City-wide in order to protect Brampton’s supply of rental housing.**
- **The draft Official Plan Amendment proposes that conversions of rental to condominium tenure exceeding six units be prohibited if the average vacancy rate for the preceding 3 years is below 3%, and that demolitions of rental housing stock exceeding six units be prohibited if it adversely affects the City’s supply of rental housing; unless replacement rental units are provided.**
- **Replacement criteria will be in place to require replacement of rental units with the same or higher number of units of comparable size, type, and affordability.**
- **This draft Official Plan Amendment delivers on “Big Move One- Purpose-Built Rental Housing” of *Housing Brampton*, delivering on the objective to increase the supply of purpose-built rental housing for low and moderate-income households.**

Background:

On June 22nd, 2020, Staff brought forward a Draft Residential Rental Conversion Policy to the Planning and Development Committee. Council directed Staff to undertake the development of a rental protection bylaw, to hold a statutory public meeting with respect to a proposed amendment to the Official Plan to introduce residential rental conversion and demolition policies, and to report back to Council with recommendations. In 2020, the overarching Housing Strategy, *Housing Brampton*, was being finalized. Through the work of *Housing Brampton*, focused engagement sessions were held with many stakeholders, including the development industry and the Region of Peel. The development industry provided input that further engagement be considered in relation to rental conversion and demolition policies. The Region has recommended policies on rental conversion and demolition within the Regional Official Plan review. City staff would like to incorporate Regional direction as well as input from Housing Brampton engagement sessions to guide the formulation of a final Recommendation Report.

Policy Direction

Foundational direction for rental conversion and demolition policies are provided in the *Planning Act*, the *Provincial Policy Statement, 2020*, *The Municipal Act, 2001*, and Region of Peel's current *Official Plan*. Policy guidance is also provided in the draft Regional Official Plan review. These policy documents authorize municipalities to regulate demolition and conversion of multi-unit residential rental properties, direct planning authorities to provide for a range and mix of housing types, and encourage municipalities to develop official plan policies with criteria to regulate conversion and demolition of residential rental units to ensure an adequate supply of rental housing stock. See Appendix 1 for a detailed review of applicable Provincial, Regional, and Municipal policies.

In addition, the Region's Housing and Homelessness Plan (*Peel Housing and Homelessness Plan, 2018*) identifies 5 strategies to achieve their housing targets. Strategy 3 is to "Provide Incentives to Build Affordable Housing," and identifies the need to work with local municipalities to develop Official Plan policies that support the development of affordable rental and diverse housing types. The plan includes a target for 25% of all new housing development to be rental. The Region's commitment to increase purpose-built rental housing developments through incentives recognizes that all levels of government have an important role to play in ensuring a full mix and range of housing options for residents.

Housing Brampton

Housing Brampton, the City's Housing Strategy and Action Plan, was approved and endorsed by Council on May 19th, 2021. It aims to improve housing affordability, add more diverse types of housing to the City's housing stock, and use innovative approaches to address housing needs. The Strategy and Action Plan identifies 6 Principles, 4 "Big Moves" and 16 Action Items for implementation. In addition, six items are identified under the Implementation Roadmap as supporting approaches to achieve the intent of the Principles. These additional implementation items include:

- Bringing the Community Onboard;
- The Right Policies;
- Smart Zoning for Housing Affordability;
- Supportive Processes;
- Integration with Other City Plans; and
- A Framework of Incentives.

Rental conversion and demolition is identified under "The Right Policies" as a policy focus area to be reviewed in detail through Official Plan Amendment processes. The proposed amendment supports the Principles of *Housing Brampton*, particularly reducing barriers to the supply of housing, making full use of regulatory tools, and incorporating equity. In addition, "Purpose-Built Rental Housing" is one of the four priority "Big Moves" outlined in the Strategy and Action Plan. The objective of this Big Move is to increase the supply of adequately sized purpose-built rental housing for low and middle-income households.

Current Situation:

Purpose-Built Rental Housing in Brampton

Purpose-built rental housing contributes to the provision of diverse and affordable housing supply options in Brampton, and a full range of housing types and tenure will support the ability of households to progress along the housing continuum within the city. Given market influences over the past several decades, the creation of new purpose-built rental housing within Brampton has remained minimal, with the demand for rental outpacing supply and a widespread shortage of purpose-built rental housing in Brampton that is appropriate for low and moderate-income people, including seniors and families. As affordability continues to be a challenge across Brampton, Peel Region and the Greater Toronto Area, a growing number of residents will turn to the rental market for more affordable housing options. Protecting the existing supply is one important component of providing the policy framework to meet the objective of increasing the supply of purpose-built rental housing, defined in Big Move One of Housing Brampton.

Currently, Canada Mortgage and Housing Corporation (CMHC) undertakes a rental housing market survey each year. Vacancy rate refers to the percentage of rental housing units that are vacant in the survey area (municipality or sub market of the municipality) at the time the survey is undertaken. As shown in Table 1, the City’s rental vacancy rate in 2020 was 2.4%, up from 1.3% in 2019, and 1.1% in 2018, whereas a 3% vacancy rate reflects a healthy market. This increase in the rental vacancy rate to 2.4% (despite being still relatively low) in 2020 may be influenced by COVID-19. Staff will monitor the longer-term trends in the coming years.

Year	Vacancy Rate in Brampton (%)
2017	1.3
2018	1.1
2019	1.3
2020	2.4

Table 1. Vacancy rate in Brampton from 2017-2020, as determined by Canada Mortgage and Housing Corporation rental housing market survey.

Source: Canada Mortgage and Housing Corporation (Rental Housing Survey)

Low vacancy rates in Brampton indicate a strong rental demand and limited rental supply. A low vacancy rate limits choice in the market for interested households, which presents the market condition for landlords to increase rents above inflationary levels due to the imbalance between supply and demand. In addition, waitlists for non-market housing units are increasing, with residents requiring rent supplements to afford housing. Households in the low and medium-income ranges in Brampton cannot afford the housing they need, particularly for persons living alone, lone parents, recent immigrants, at-risk youth, seniors, and families with children.

Purpose-Built Rental Housing is Relatively More Affordable

Data shows that most of the rental units in the city were only affordable to households at the 6th income decile or higher (Source: CMHC Rental Market Report 2019, Statistics

Canada Custom Tabulation Data 2016 and Region of Peel Affordable Rental Price Calculation and spending 30% on housing costs). Those in the 5th decile could afford bachelors (Average Market Rent \$917) or 1-bedroom units (AMR \$1,274) at most, whereas those at the 4th decile could only afford a bachelor unit in the city.

The Toronto Regional Real Estate Board's (TREB's) Q4 Rental Market report compares Brampton renter household income deciles and Brampton 2019 average market rents for apartments, which includes rentals not considered a part of the purpose-built universe (e.g., rented condominiums). The data shows that there are no apartment types (bachelors, 1, 2, or 3-bedroom units) that are affordable to Brampton renter households in or below the 6th income decile (Source: TREB Rental Market Report Q4 2019 Statistics Canada Custom Tabulation data 2016 and Region of Peel Affordable Rental Price Calculation and spending 30% on housing costs). In addition, renters in the 7th income decile can only afford a bachelor unit (AMR \$1,600) or a 1-bedroom unit (AMR \$1,848). All of the unit types found on TREB are more expensive than those from CMHC due to the lack of purpose-built rental supply, and the demand for secondary market units. These results suggest a strong need for more primary rental options in the city, specifically purpose-built rental.

Conversion, Demolition, and New Rental Developments in Brampton

Despite the current Official Plan policy being in place since 2006 (as discussed in a subsequent section of this report), the conversion of Brampton's limited purpose-built rental housing has continued. Since 2003, the City has received a total of nine development applications seeking to convert rental units to condominium tenure, and approximately 348 units were approved for conversion between 2003 and 2021 (as shown in Appendix 3). The properties submitted for application are concentrated along the Kennedy Road corridor, an area having a significant proportion of rental buildings, along with some sites close to the city's Downtown core. Stronger policies can protect the existing rental stock in these and other areas of the city that are well supported by transit options and will help achieve compact, complete communities with a full mix and range of housing options, including affordable and rental housing options.

Moreover, very few purpose-built rentals have been constructed in recent years. CMHC's Housing Information Portal shows that 0% of housing completions in Brampton between 2017 and 2019 were rental tenure (with 81% homeowner and 19% condominium completions). Primary rental units make up such a small proportion of all housing completions in Brampton, and very few units constructed over the last 18 years have been rental, which poses an issue given the low vacancy rates and increasing need for housing for seniors, students, and low and middle-income households. Generally, ownership projects are more common because they generate larger and faster returns than a rental building project, and financing for ownership projects is easier to obtain. While the secondary rental market is a good source of rental units, these units are still not as stable in tenure or as affordable as units in the purpose-built rental market. The lack of rental housing being brought to market in Peel Region and Brampton is due to many factors but is largely attributed to the popularity and attractiveness of condominium developments as an investment option relative to rental housing. Developers seek to build and sell

condominium units to a range of purchasers that includes investors, who will then rent condominium units on the private market to prospective tenants. The investor condominium market provides developers with a faster return on their investment, and has therefore largely fueled the new rental supply, rather than purpose-built rental apartments. This situation makes it even more imperative that Brampton protect its' rental stock from conversion to condominium tenure.

Benchmarking

Staff have completed a benchmarking exercise of rental housing protection measures in other Canadian municipalities. Staff reviewed 7 measures across 12 municipalities and have summarized the findings in Appendix 2. Measures to retain and/or renew rental housing include rental housing protection by-laws to regulate conversion and demolition, rental replacement and tenant relocation policies, moratoriums, a rental use zoning policy, and standard of maintenance by-laws. In the case of regulating conversion and demolition through rental housing protection by-laws, many municipalities set conditions under which conversion and demolition are permitted.

For example, in Mississauga, each demolition application is evaluated on the basis of two tests: the city's vacancy rate is 3% or more and; existing rents are above the affordable rate at 1.75 times average market rent (AMR) in line with households in the 6th income decile. If both tests are met, a demolition permit will be issued with no conditions to replace or retain the units. If condition one and two are not met, a permit may be issued with conditions for replacement.

Similarly, the City of Toronto's Official Plan states that any new development that would result in the loss of six or more rental housing units will not be approved unless the rental housing units are replaced with new units that are similar in size, type, and rent; and tenant relocation and assistance during redevelopment, with a right to return to occupy the replacement units is provided. From 2013 to 2015, the City of Toronto secured the replacement of over 800 affordable and mid-range rental units proposed to be demolished, many of which were replaced in new condominium developments.

Current and Proposed Official Plan Policy

The current Official Plan policy (Section 4.2 – Residential, Policy 4.2.1.12) states:

“The City shall encourage the maintenance of a minimum rental vacancy rate of two percent (2%). To this end, the City shall encourage the rehabilitation and provision of rental housing in appropriate forms and locations by practical and realistic means.”

The current policy, established in 2006, only encourages the maintenance of a 2% minimum vacancy rate, whereas a vacancy rate of 3% reflects a healthy and balanced rental market.

The purpose of the proposed Official Plan Amendment (Appendix 4) is to amend the City's residential rental housing protection policy to provide better protection for Brampton's

existing rental housing stock and ensure that the city's current and future residents access affordable and rental housing options. The proposed policy amendment seeks to prohibit conversions exceeding six units to condominium tenure if the city's average vacancy rate for the preceding 3 years is below 3% (as determined by the Canada Mortgage and Housing Corporation). Demolitions of rental housing stock exceeding six units will also not be permitted if it adversely affects the supply of rental housing and the achievement of the Region of Peel and/or the City's housing targets; unless replacement rental units are provided.

Staff are seeking public input on the proposed Official Plan Amendment (OPA) (Appendix 4). Staff find that the proposed amendment conforms with the overall intent of *Housing Brampton*, and Region of Peel's Official Plan policies to ensure the preservation and maintenance of rental housing in the city.

Proposed Replacement Criteria

Requiring the replacement of rental units is an important part of ensuring the maintenance of the city's rental housing stock amidst demolition and renewal projects. Conditions for replacement of rental units are intended to preserve not only the number of rental units available, but also size, type, and affordability of units. In addition, applicants are required to provide relocation and assistance to tenants during redevelopment, as well as provide tenants with a right to return to occupy the replacement units.

Any new development that would result in the loss of six or more rental housing units will not be approved unless the following conditions are met:

- Replacement of the rental housing units with the same or higher number of units of comparable size, type, and affordability, unless a change to the built form is being proposed in which case the replacement of unit size and type will be given due consideration; and
- Provision of reasonable tenant relocation and assistance during redevelopment, with a right for the tenants to return to occupy the replacement units, in accordance with the relevant provisions in the *Residential Tenancies Act, 2006*.

Conditions for replacement of rental housing units were developed with guidance from the draft Regional Official Plan review (*Peel 2051*), and the benchmarking exercise conducted by Staff (see Appendix 2). In the City of Mississauga, comparable affordability is 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%. Consultation will explore replacement criteria including unit size, type, and affordability, and will help finalize these within the proposed Official Plan Amendment.

Conditions for tenant relocation and assistance are guided by Section 52 and Section 53 of the *Residential Tenancies Act, 2006*, which requires:

- That the owner of the residential rental property notify any tenants who reside in the rental units if the owner requires possession of the rental unit to (a) demolish

it, (b) convert it to a use other than residential premises, or (c) do repairs or renovations that require vacant possession of the rental unit.

- That tenants be given at least 120 days' notice if it is necessary for them to vacate their rental unit for demolition or renovation purposes.
- That tenants receive an amount equal to three months' rent or an offer for another rental unit.
- That tenants have a right of first refusal to occupy the replacement units.
- That tenants may reoccupy the rental unit at a rent that is no more than what the landlord could have lawfully charged if there had been no interruption in tenancy.

Evaluation and Implementation Process

The City will require an assessment report with a formal development application, which will include an explanation of the project proposal, relevant data on vacancy rates, and a proposed replacement, relocation and assistance approach. City staff will review the report to determine eligibility of the proposal.

If a Recommendation Report for the City-Initiated Official Plan Amendment is received, further details for requirements regarding tenant assistance and relocation, affordability of replacement units, and assessing vacancy rates and housing targets will be provided by Staff in a 'Guidelines for Application Review' document.

Public Engagement:

In 2019 and 2020, the City conducted comprehensive stakeholder consultations, during which the overarching recommendations of *Housing Brampton* were reviewed by the public and a cross-section of subject matter experts, including City and Regional staff, the development industry, the non-profit sector, and the Brampton Housing Advisory Committee. The recommendations included the establishment of a rental conversion and demolition policy. However, consultation on details of such a policy was not within the scope of the engagement for Housing Brampton.

Feedback received for a recommendation on the establishment of a rental conversion and demolition policy included:

- An overly restrictive approach to protect rental housing may deter development.
- A net gain in rental stock should be seen favourably- demolition of some existing rental units to create more rental stock.
- A focus on creating new well-designed rental housing of various types will help reduce issues around second units and lodging houses.
- New rental stock will help move residents along the housing continuum.

Following this public meeting, focused stakeholder engagement sessions will be conducted to gather more input into details of the proposed Official Plan amendment.

Public Meeting Notification Area

Notice of the Public Meeting was given by public notification in the Brampton Guardian and on the City's website.

Provincial and Regional Interest:

The proposed Official Plan Amendment is consistent with matters of Provincial and Regional interest. See Appendix 1 for a review of applicable policies.

Corporate Implications:

Financial Implications

There are no financial implications directly associated with this report. Any future financial implications will be discussed in a forthcoming Recommendation Report to Council.

Other Implications

No other implications associated with this report have been identified at this time.

Term of Council Priorities:

Term of Council Priorities (2019-2022)

This report directly aligns with the Strategic Direction – Brampton is a City of Opportunities, in particular the Council Priority to Create Complete Communities. The proposed amendment to the Official Plan to provide greater protection of Brampton's existing rental housing stock supports the implementation and recommendations of *Housing Brampton*, facilitating the creation of a more inclusive and livable community.

Living the Mosaic – Brampton 2040 Vision

This report and proposed policy amendment generally aligns with the Social Matter and Housing Vision, in particular Action #5-2 Housing, by protecting purpose-built rental housing units in the City.

Next Steps:

The City-Initiated draft Official Plan Amendment is presented by the City for formal public review and comment.

Following the statutory public meeting, staff will report back to Planning and Development Committee with a final recommendation on the proposed Official Plan amendment.

Conclusion:

This report brings forward a Rental Conversion and Demolition policy to advance and implement the objectives of *Housing Brampton*, the City's comprehensive Housing Strategy and Action Plan.

The proposed amendment to the Official Plan will strengthen the City's residential rental protection policies and support the retention of purpose-built rental housing in the city.

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Attachments:

Appendix 1: Policy Planning Context and Analysis

Appendix 2: Benchmarking - Measures to Promote the Preservation and Renewal of Rental Housing Stock

Appendix 3: Residential Rental Unit Conversion Applications in Brampton

Appendix 4: Draft Official Plan Amendment