



**STAFF REPORT  
ACTION REQUIRED**

**Encouraging New and Protecting Existing Family-Sized Units**

<b>Date:</b>	August 16, 2007
<b>To:</b>	Planning and Growth Management Committee
<b>From:</b>	Chief Planner and Executive Director, City Planning
<b>Wards:</b>	All
<b>Reference Number:</b>	pg070065

**SUMMARY**

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This report responds to four separate requests for reports on associated topics, and was written in consultation with the Chief Building Official. The common focus of the report requests is encouraging large family-sized units. The report reviews policy options relating to requiring a prescribed minimum number of three bedroom units in all new multiple unit residential developments, investigates the use of knock-out wall panels to facilitate the alteration in the size and bedroom count of new residential units, and responds to questions on the protection of large family-sized rental units with high-end rents in relation to the City’s new by-law on demolition and conversion of rental housing.

This report indicates that while the City’s Official Plan contains general policy direction to provide family-oriented housing, the development of a broader based strategy to create family-oriented housing in the City is recommended in order to implement the Official Plan housing policy. The use of knock-out panels to provide flexible-sized units in condominium buildings is possible, however opportunities to effectively utilize such panels will be extremely limited. The issue of protecting family-sized units in high-rent buildings is recommended to be dealt with as part of guidelines to implement the City’s new by-law on the demolition and conversion of rental housing.

## **RECOMMENDATIONS**

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It is recommended that the Chief Planner and Executive Director, City Planning:

1. Report back to Planning and Growth Management Committee before the end of 2007 on a strategy to create a greater degree of family-oriented housing.
2. Seek opportunities to secure knock-out panels in new condominium developments in the context of rezonings for increased density.
3. Include consideration of the need for protection of family-sized rental units with high-end rents from demolition in the draft implementation guidelines for Chapter 667 of the Municipal Code to be brought to City Council for approval.

### **Financial Impact**

This report has no financial impact.

## **DECISION HISTORY**

In its January 11, 2007 meeting, the Toronto and East York Community Council, in its deliberations regarding the Final Report – Zoning Amendment Application – 70 Roehampton Avenue, requested the Chief Planner and Executive Director of City Planning and the Chief Building Official and Executive Director of Toronto Building to submit an information report to the Planning and Growth Management Committee with respect to the feasibility of creating a policy to make standard knock-out panels for all condominium projects so that units can be joined or separated to create a more flexible housing stock in multi-unit residential buildings.

<http://www.toronto.ca/legdocs/mmis/2007/te/decisions/2007-01-16-te02-dd.pdf>

A similar request was made by the Planning and Growth Management Committee at its meeting of January 18, 2007.

<http://www.toronto.ca/legdocs/mmis/2007/pg/decisions/2007-01-18-pg01-dd.pdf>

At its March 29, 2007 meeting, the Committee also requested a report on requiring a minimum number of three bedroom units as a component of new multi-residential developments.

<http://www.toronto.ca/legdocs/mmis/2007/pg/decisions/2007-03-29-pg03-dd.pdf>

During consideration by the Planning and Growth Management Committee at their June 28, 2007 meeting of the proposed by-law on demolition and conversion of rental housing under s. 111 of the City of Toronto Act, the issue of protecting family-sized rental units was discussed. The Committee requested the Chief Planner and Executive Director, City

Planning, to report to City Council on July 16, 2007 on protection of large family-sized units in high-rent buildings under the proposed by-law. An information report was submitted by the Chief Planner for City Council's July 16th meeting. It noted that the scope of the report on family-size housing units from the Chief Planner scheduled for the September meeting of the Planning and Growth Management Committee would be broadened to include the protection of existing family-size rental units.

<http://www.toronto.ca/legdocs/mmis/2007/cc/bgrd/pg7.1a.pdf>

## **ISSUE BACKGROUND**

To maintain a thriving and diverse City, it is important that families have the opportunity to rent and buy appropriate accommodation throughout the City. Strategies to ensure the availability of housing suitable for families need to focus both on protecting and replenishing existing family-sized housing units as well as on encouraging the provision of new family-sized accommodation.

Given Toronto's mature urban market, fewer opportunities exist to develop new single detached housing (which has traditionally been the housing choice of most families in the Greater Toronto Area who are able to afford such units).

It is difficult to define appropriate family housing, as needs and desires of families vary. For the typical purchaser, a myriad of factors are considered and include: price, unit type, unit size, number of bedrooms, degree of access to ground oriented outdoor amenity space, community recreation amenities and access to schools. For the purposes of this report, units with at least three bedrooms will be considered potentially appropriate for the raising of a family. Though many families with children reside in two bedroom apartments, the original issue to which this report is responding concerned encouraging larger family-sized housing such as three bedroom units.

### **Recent Market Response/Market Preferences in Family-Oriented Housing for Ownership**

A review of the family-oriented housing market cannot be confined to Toronto's borders as much of the supply is provided in the GTA's suburbs outside of the City. The requests to which this report responds are primarily concerned with the issue of encouraging the construction of new family-size housing for ownership. Thus, the data presented is from the market for new housing, not for resales of existing stock.

Considerable differences exist in the types of housing being produced across the GTA. In the suburbs outside of Toronto, substantial numbers of ground-oriented housing for ownership (singles, semi-detached and row houses) continue to be constructed although the past couple of years have seen an increase in the number of condominium apartments. Within Toronto, differences exist between downtown and its inner suburbs. The downtown market is driven by demand from singles, young couples and empty-nesters and the market has responded by providing high-rise condominiums primarily with two

or fewer bedrooms. In the inner suburbs (former Etobicoke, North York and Scarborough) with lower land values and a greater amount of developable land, a greater percentage of new housing built is ground-oriented units than is the case in the former City of Toronto, and especially in the downtown area. However, the former City's greater volume of construction activity, and the numerous brownfield redevelopments in recent years, has resulted in a comparable number of row housing units being produced to those in the inner suburbs.

On the whole throughout Toronto, new condominium apartments are by far produced in greater numbers than new ground-oriented housing. However, very few three bedroom units that may be considered appropriate for families are being provided. Table 1 below analyzes the share of three bedroom units among the number of new, residential high-rise condominium apartments available for sale since 2002 in the City of Toronto. During that period, there were no high-rise condominium projects with three bedroom units in the former municipalities of York and East York. Overall for the City, there was an average of just over 1% of the total number of new condominium apartment units offered for sale that were three bedroom units.

<b>Table 1</b> <b>Analysis of Three Bedroom Suites in New Residential Highrise Condominiums</b> <b>City of Toronto</b> <b>2002 to 2007 (Year to Date)</b>									
Year	Total Units*	Total Annual Sales	Total 3B Units	% of Total Units	3B Annual Sales	% of Total Annual Sales	Price Range (000's)	Avg. Price*** (000's)	Avg. Size*** (sq.ft)
2002	35,073	12,085	567	1.6%	157	1.3%	\$200 - \$982	\$324	1,255
2003	37,998	7,851	583	1.5%	72	0.9%	\$200 - \$6,675	\$368	1,249
2004	35,023	9,500	489	1.4%	75	0.8%	\$200 - \$6,775	\$382	1,215
2005	39,751	12,340	517	1.3%	99	0.8%	\$210 - \$6,775	\$561	1,330
2006	38,026	12,099	433	1.1%	121	1.0%	\$239 - \$6,775	\$744	1,420
2007 YTD	41,379**	8,243**	522**	1.3%	93**	1.1%	\$207 - \$6,675	\$729	1,391

Source: Urbanation Inc. \* As of December 31<sup>st</sup> of each year. \*\* As of June 30<sup>th</sup>, 2007. \*\*\* Weighted average. Analysis excludes penthouses. Analysis excludes registered condominium units.

Prepared by Urbanation Inc. Exclusively for the City of Toronto

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Note: Total units and sales refer to the inventory of new condominium apartments available for sale as of Dec. 31 each year, except for 2007. Since not all units are sold each year, the number for the subsequent year is a running tally including unsold units from the previous year plus new units added minus any units sold. Registered condominium units offered for resale were excluded.

There is a significant variance in the kind of three bedroom units available. Table 1 includes some units selling in the \$200,000+ range, while others are selling for multiple millions of dollars, indicating a luxury product. More generally, a wide array of family housing units is being constructed for ownership both within the City and in the

surrounding municipalities. Housing construction starts data from Canada Mortgage and Housing Corporation (CMHC) in Table 2 show that in recent years the vast majority of new low-rise housing for ownership in the Toronto CMA (Census Metropolitan Area) has been constructed outside the City. These are the structure types of housing that are the most sought-after by families. Only 15,000 out of 139,000 such units were built in the City of Toronto over the 5 year period from 2002-2006.

<b>Table 2</b>			
<b>Low-rise ownership construction starts in Toronto CMA</b>			
<b>2002 - 2006</b>			
Year	Rest of CMA: low-rise	City: low-rise	Total low-rise units
2002	29,923	3,289	33,212
2003	27,056	2,949	30,005
2004	24,719	3,705	28,424
2005	22,998	2,571	25,569
2006	19,690	2,491	22,181
<b>Total</b>	<b>124,386</b>	<b>15,005</b>	<b>139,391</b>
Average per annum	24,877	3,001	27,878

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Source:

Low-rise ownership units comprise construction starts of single, semi-detached and row freehold units and row condominium units in the City of Toronto and the rest of the CMA, from CMHC's Local Market Housing Tables

The available data from CMHC does not provide detail on the types of condominium apartments by unit sizes. Thus, an exact comparison of starts data for low-rise units to three bedroom condominium apartments was not possible. However, data has been provided by Urbanation in Table 1 on the number of three bedroom condominium apartments available for sale in the City at year end during the same 2002-2006 period. Table 3 shows a comparison of these two data sources to attempt to illustrate the range of new ownership units suitable for families that are available on average on an annual basis. It is not a precise comparison as the low rise units may have been available for sale in a previous year before construction started, while the three bedroom apartments for sale might begin construction in a subsequent year.

Based on all three tables, it is clear that consumers have considerable choice within the Toronto area housing market. For the most part, families purchasing new dwellings are choosing houses that are detached, semi-detached or townhouses in the 905 suburbs or to a lesser degree, low-rise homes within the City to meet their needs. Given the

comparable price points of low-rise houses in the 905 and inner suburban areas to three bedroom condominium apartments in the City, most people are choosing the additional space and ground-oriented amenity space of the suburbs.

<b>Table 3</b>	
<b>Supply of new family-sized ownership units:</b>	
<b>Comparison of Toronto CMA low-rise starts to City new 3-bedroom apartments for sale, 2002-2006</b>	
<b>Annual average</b>	
<b>New unit type</b>	<b>Average annual number of units</b>
Rest of CMA low-rise	24,877
City low-rise	3,001
City 3-bed apts	518

Source: from Table 2; annual average for 3-bedroom units calculated from data in Table 1

Prepared by City Planning August 2007

In light of the choices available to consumers, there is relatively little effective demand for three bedroom condominium apartments in which to raise a family at this time. In other more dense urban centres around the world with mature housing markets such as London, New York and Paris, a greater percentage of families are raised in owner-occupied apartments. At this point in the evolution of the Greater Toronto Area, the price points of housing in the suburbs along with the time and cost of commuting are still relatively low. Accordingly, fewer consumers are choosing to raise families in condominium apartments in Toronto.

### **Protecting existing family-sized rental units**

The City has a long history of pro-actively protecting rental housing, and has approved Official Plan policies protecting rental housing from demolition and conversion to non-rental housing purposes. On July 19, 2007 City Council approved a new by-law under s. 111 of the City of Toronto Act on demolition and conversion of rental housing. It establishes a new Chapter 667 in the Municipal Code, which provides more comprehensive and effective implementation tools to achieve the intent of the City’s policies on rental housing protection.

With the new by-law, the City is now able to protect a greater number of rental housing properties subject to demolition or conversion activities, and its decisions are not subject to appeal to the Ontario Municipal Board. The City can decide to refuse or approve with conditions an application for a permit to demolish or convert rental housing where 6 or more units are involved.

The focus of the by-law and the Official Plan policies on demolition and conversion of rental housing is primary rental housing: multiple-unit private rental and assisted rental housing properties. The City does not attempt to regulate protection of rental housing units in the secondary rental market, such as rented units in condominiums, rented houses and duplexes, second suites in houses. Generally, the City does not prohibit demolition or conversion where fewer than 6 rental units are involved.

Another provision in the Official Plan policies is that consideration may be given to approval of demolition or conversion proposals where all of the units have rents in the high-end rent range. The Official Plan housing policies may be found at [http://www.toronto.ca/planning/pdf/op\\_housing\\_policies\\_apr3\\_2007.pdf](http://www.toronto.ca/planning/pdf/op_housing_policies_apr3_2007.pdf)

The issue of protecting family-sized rental units from demolition arises when applying the City’s Official Plan policy of considering approval of demolition without requiring replacement rental units where all of the private rental units have high-end rents. In such a situation, the loss of any family-sized units could be permanent, as the market is not producing many family-sized units in multiple-unit residential developments in the City (as shown in Table 1 above).

Neither the policy on demolition of social housing units, nor the policy on conversions presents this same problem. No social housing property would consist exclusively of high-end rents. Conversion activity usually changes the tenure of the housing, not the number or size of units. Thus, family-sized units in a conversion will generally remain as family-sized units.

As noted in the Chief Planner’s July 9, 2007 supplementary report on protecting family-sized units, the potential number of family-sized private rental units with high-end rents is very small. As shown in Table 4 below, taken from that report, less than 1 % of private rental units have 3 or more bedrooms and have high end rents of \$1,899 or more.

<b>Table 4</b>	
<b>3 bedroom units in context of City of Toronto’s Private Rental Housing Market *</b>	
Total Number of private rental units	256,980
3 bedroom+ units (units with 3 or more bedrooms)	24,435
Percent of private rental units with high-end rents	3%
Percent of rental units that are 3 bedroom units with high-end rents	0.5%
Number of 3 bedroom units with high-end rents	1,425

\* Primary rental housing, apartments, row houses in properties with 3 or more rental units in Oct 2005.

Not all of the City's 1,425 family-sized units with high end rents are in properties where every single unit has high-end rents, which is a requirement for consideration under this policy provision. For example, a rental property may consist of some units with mid-range rents and others with high-end rents, making it ineligible for special consideration.

In recent years, the City has received applications for conversion to condominium where most or all of the units had high-end rents, but no applications have been made for demolition involving high-end rents.

### **Flexible Unit Design (Knock-out Wall Panels)**

One of the potential means to provide a greater amount of family oriented housing is to provide for a flexible unit design that allows for an increase or decrease in floor area to meet changing needs. Knock-out wall panels have been explored as a feature of flexible design to join two units. A knock-out wall panel is a design feature built into the construction of the building that facilitates the installation of a door or passageway between two units with minimal impact on the shared wall which often performs a structural function. For example, a one bedroom unit equipped with a knock-out wall panel may allow for expansion into the adjacent units as the household grows. The knock-out wall panel may be reinserted to create a smaller space as needs change, caused, for example, by children leaving the household. Such flexible housing allows the occupant to stay in place, which has advantages particularly as the occupant ages and social networks become increasingly important as a quality of life concern. Also, with some immigrant groups, housing units allowing for growing space may assist in accommodating extended families.

In considering two development applications, (70 Roehampton Avenue and 99 Blue Jays Way), City Council has required the provision of knock-out wall panels within each unit of the development in order to provide for future expansion to meet the changing needs of the occupant.

## **COMMENTS**

The following section explores the opportunities and challenges in developing new family-oriented units and in retaining existing units.

### **Developing New Family-Oriented Units**

The City's Official Plan (Section 3.2.1.1) currently provides direction to provide a full range of housing in terms of form, tenure and affordability. The provision of this range of housing across the City and within neighbourhoods is important to achieving the diversity required to meet current and future needs of residents, and to provide economic competitiveness and social cohesion.



Many challenges exist in getting the housing market to respond to the need for family-oriented housing. Foremost is the high land values found in the City. This has the effect of not allowing larger units to effectively compete for a space within new buildings. Ultimately, developers are able to generate greater profits through the sale of a large number of smaller units. Aside from high land costs, demand for three bedroom condominium apartment units within Toronto is constrained by the great deal of choice of low-rise ownership housing that exists both within the City and to a greater extent in the surrounding suburbs. Accordingly, it is challenging for developers to market and sell three bedroom condominium apartment units.

The former City of Toronto had a policy framework to encourage the development of housing suitable for families with children. Many Secondary Plans had policies that encouraged the provision of housing suitable for families with children, and a housing policy in the parent Official Plan required that where land was being converted to residential use, at least 25 per cent of new units would be family housing containing a minimum of 2 bedrooms and having amenity space. Prior to 1993 the former City of Toronto Official Plan measured density in units per hectare which encouraged the provision of larger units by counting large units the same as small units in calculating residential permissions. Because of the uncertainty in terms of scale of building and the trend of property owners revising plans to build smaller units within the approved building envelope, this approach was discontinued by the former City of Toronto in 1993.

There are potential difficulties should the City attempt to directly require a certain amount or percentage of three bedroom units in new condominium apartment developments. Such a requirement must be supportable and represent good planning. Given the slower sales of the modest amount of three bedroom units currently on the market and the multitude of choice of ground-oriented units across the GTA, it may be challenging to demonstrate the need for such intervention at this time. If the City were successful in having more three bedroom condominiums constructed, there is no indication that these units would indeed be occupied by families in the near term. Over the longer term, as housing both in the City and the surrounding market area becomes more expensive, and commuting becomes more challenging, the propensity for Torontonians to raise families in condominium apartment units may increase. Additional research on the current household composition of various forms of housing in the City may offer further insight into this matter.

Any planning policy requirements related to new family-oriented housing must be carefully considered as part of a broader based strategy to house families in the City. Such a strategy could form a vital component of the forthcoming Affordable Housing Plan to be released in 2008. These investigations into the creation of new family-oriented housing should begin now and consider a variety of components including the City's growth strategy, levels of community services and facilities, changing demographics and the multitude of factors that affect the regional housing market. It is recommended that staff bring back such a strategy to the Planning and Growth Management Committee prior to the end of 2007.

## Knock-out Panels

The following comments respond to the Planning and Growth Management Committee direction to report on the feasibility of creating a policy to make knock-out wall panels standard for all condominium projects.

Since the term “knock-out wall panels” is not a defined term in the Ontario Building Code, Toronto Building and City Planning staff have developed the following definition for the purpose of this discussion. A knock-out wall panel is a:

*Demising wall, structurally designed to facilitate the future removal of predetermined sections of the wall, where structurally feasible, to allow flexibility in the size of the units through exchanging floor space between abutting units or through combining and separating entire units.*

Notwithstanding the potential flexibility described above, the actual opportunity to expand or contract the size of a unit is severely limited due to the following:

- The adjacent unit may be unavailable at the time it is needed for expansion, or if available may not be of a size that makes combining them practical (for example, if the adjacent unit is a bachelor unit);
- It is costly for homebuyers to purchase two adjacent units at one time in anticipation of future expansion;
- In the case of rental buildings, the newly adopted by-law 885-2007 (Rental Residential Demolition and Conversion Control) requires a permit for any interior changes that affect the number of units and the unit type;
- Costly renovations may be required to convert one of the two units from being self contained to use for additional bedrooms and/or living space only;
- It is structurally difficult for each unit within a building to have a knock out wall and more complicated and more costly engineering design would be required;
- The changes may affect monthly maintenance fees for the units concerned and the entire condominium building; and
- There will be financial implications for the condominium owner with respect to property assessment and property taxes;
- Legal implications may arise resulting from changing demising walls and how such changes are reflected on the title of the property;
- The condominium Board may not permit the alterations; and
- The condo market in many instances responds to individual purchaser’s requirements for larger units by accommodating them during pre-sales.

With respect to regulating the construction of knock-out wall panels, the Ontario Building Code neither requires nor prohibits knock-out wall panels. The Building Code is a regulation made under the Ontario Building Code Act and sets out technical and administrative requirements. Each building permit application containing knock-out wall panels as part of the proposed design would be assessed within the relevant requirements

for demising walls in the Building Code. A proposal to join two units where knock-out panels have been installed would require a building permit.

Based on the foregoing, it is clear that the opportunities to utilize knock-out panels to provide flexible housing will be very limited. Additionally, the means to secure such a requirement will be limited to applications involving rezonings given that neither Section 34 of the Planning Act nor the Building Code can require features such as knock-out panels.

### **Options for protecting existing family-sized rental units**

As noted earlier, the City's Official Plan housing policies and new by-law on demolition and conversion of rental housing generally ensure that most family-sized rental units are protected. Only 1,425 out of 24,435 private rental family-sized units have high-end rents, and not all of those are in properties that meet the special consideration requirement that every single unit have high-end rents. Experience to date with high-end rent buildings has shown that if a property owner is considering a change to their rental status, they are more likely to be candidates for conversion to condominium. No applications for demolition involving high-end rents have yet been made to the City.

The City is not constrained by its Official Plan housing policies to automatically approve a planning application involving the demolition of rental housing in the situation where 100% of the rental units have high-end rents. Rather, the intent of the City's policy on rental demolition is to provide clarity that the demolition will not be approved unless certain criteria are met, one of which is that all units have high-end rents. Exceptions to this require an Official Plan Amendment to proceed. And, as with all other planning applications, all applicable policies and the provincial planning framework are brought to bear when considering the application and determining whether the proposal represents good planning.

A demolition proposal that meets the high-end rent criteria for special consideration might create other policy concerns, such as the loss of family-sized units in a neighbourhood or rental market where few family-sized units are being created. Housing Policy 1 of section 3.2.1 of the Official Plan is concerned with the provision of a full range of housing across the City and within neighbourhoods to meet the current and future needs of residents. Policy 2 states that the existing stock of housing will be maintained and replenished.

Thus, when considering a planning application, City Council may determine that it would not be good planning to approve the demolition of a high-end rent property with family-sized units without requiring replacement. Assessment of this issue would consider trends in the supply of family-sized units being provided both in the neighbourhood and throughout the City, and the impact of the specific demolition proposal on the supply of family-sized rental housing units.

When making a decision to approve a permit under Chapter 667 of the Municipal Code to demolish a high-end rental property with family-sized units, City Council is guided by its

Official Plan policies. The by-law establishing Chapter 667 is primarily an implementing by-law for the City's policies on protection of rental housing. Under Chapter 667, City Council could decide to refuse or approve such an application, or could approve it with a condition that family-sized units be replaced. All applications for demolition of rental housing involving 6 or more dwelling units must be decided under Chapter 667 whether or not planning approvals are also required.

There is ample opportunity, then, on individual applications for demolition involving high-end rents, for assessing the proposal for its impact on family-sized units, and, depending on the circumstances, for City Council to refuse, approve, or approve with conditions of replacement. As noted previously, the City has not yet received such a demolition application, and thus has no experience applying the policy's special consideration on high-end rents.

Planning staff will be preparing draft guidelines for City Council's approval for the implementation of Chapter 667 on the demolition and conversion of rental housing. Staff will consider the issue of protecting family-sized rental units in the guidelines. Currently, City Planning staff rely on the City's existing policy framework and established practices when making recommendations to City Council on applications for demolition of rental housing.

## **Conclusions**

Although the City's Official Plan currently has general policy direction to provide family-oriented housing, the development of a broader based strategy to create family-oriented housing in the City is recommended to be brought forward to Planning and Growth Management Committee before the end of 2007. A significant majority of the new housing built in the City is in the form of condominium apartments, and only about 1% of new high-rise condominium units available for sale are three bedroom units. Currently there is a wide array of new family-sized housing units built for ownership in the City and in the rest of the Toronto market area, and most large family housing units are in low-rise forms, offering a significant alternative to apartments in condominiums. Given these alternatives, it would be a challenge to demonstrate at this time in the Toronto market that intervention to require three bedroom apartments in new developments is appropriate.

The use of knock-out panels to provide flexible-sized units in condominium buildings is possible; however opportunities to effectively utilize such panels will be extremely limited. On the topic of protecting existing family-sized rental units, the City's Official Plan policies and the new by-law on demolition and conversion of rental housing ensure that most such units are protected from demolition. However, the City's policies do provide that approval may be given by City Council for demolition of rental buildings where every unit has high-end rents, though there are very few family-size rental units in such properties. In applying these policies, City Council may also decide not to approve such demolition proposals without requiring replacement of the family-sized units. The issue of protecting family-sized units in high-rent buildings is recommended to be dealt with as part of guidelines to implement the City's new by-law on the demolition and conversion of rental housing.

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## **SIGNATURE**

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