A negotiated approach: Evaluating affordable housing outcomes from Section 37 agreements (1988-2018)

PRELIMINARY FINDINGS*

*Research is still ongoing. See forthcoming final report for final numbers and details on data limitations.
## Outline of talk

| 01. | Introduction & methodology |
| 02. | Context |
| 03. | Preliminary findings*: Spatiotemporal analysis of affordable housing benefits |
| 04. | Issues & concluding remarks |
| 05. | Q&A |

* Important to note that research and analysis are still in progress and the numbers may change. See forthcoming IMFG report for final results and for details on data limitations and assumptions.
About the research

- Update of research conducted in 2009-2010.
- Examination of Section 37 data that contain affordable housing benefits to understand what was produced.
- Creation of unique database that focuses on affordable housing benefits.
What is Section 37?

Illustration of old S. 37 regime. Municipalities transitioning to new Community Benefits Charges (CBC) system.
Defining value capture and inclusionary zoning (IZ)

- Value capture is the idea that government entities should capture some of the increase in land value that results from public investment and actions (e.g., rezoning) for public benefit.

- Incentive-based zoning policies can be used to provide density bonuses in exchange for public benefits, such as affordable housing.

- IZ is a value capture tool that requires developers to set aside a percentage of their new housing units as affordable.
Research question & methodology

How effective have value capture tools been in the development of new affordable housing in Toronto (1988-2018)?

Mixed methods research approach: Spatiotemporal analysis of Section 37 data; document analysis of council reports and by-laws; and qualitative interviews.

Evaluation looks at:
- Number of affordable units
- Depth of affordability
- Length of affordability
- Geographic distribution of affordable units
**Context**

1993 – Funding for new social housing ends.

1996 – Administration of federal social housing programs transferred to provinces; in Ontario, responsibility for social housing was then downloaded to municipalities without concomitant funding.

<table>
<thead>
<tr>
<th>Average annual social housing commitments in Canada by program period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-78</td>
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<tr>
<td>1979-85</td>
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<tr>
<td>1986-93</td>
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<tr>
<td>‘94-2001</td>
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<tr>
<td>2002-13</td>
</tr>
</tbody>
</table>


**Ownership housing**

In 1990s and early 2000s, federal government made it easier to purchase a house (e.g., by lowering interest rates, reducing required down payments, and permitting use of RRSPs for down payments).
**Context**

1996-2017:  1.3 million new condo units and houses were built in Ontario – and only 20,000 affordable rentals built (i.e., 1.5% of total supply).

### City of Toronto breakdown of completions

<table>
<thead>
<tr>
<th></th>
<th>Homeowner</th>
<th>Rental</th>
<th>Condo</th>
<th>Co-op</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-2018</td>
<td>43,060</td>
<td>18,696</td>
<td>207,793</td>
<td>38</td>
<td>269,587</td>
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<tr>
<td>2010-2018</td>
<td>14,091</td>
<td>11,291</td>
<td>119,123</td>
<td>33</td>
<td>144,538</td>
</tr>
</tbody>
</table>

Total new affordable rental homes (2010-2018): 3,604 (2.5%)
Total new affordable ownership homes (2010-2018): 1,195 (0.83%)

Source: CMHC Starts and Completions Survey; Affordable Housing Office 2019 Q1 Report; 2017 Auditor’s General report
Section 37 in practice – Toronto

Type of benefits secured:
Streetscape improvements; park improvements; public art; community facilities; daycare facilities; affordable housing, etc.

Official Plan Section 37 policies:
10,000 sq m threshold.

No citywide formula for calculating Section 37 due to fears of legal challenge on basis that it could be considered an illegal tax. Most agreements are negotiated on case-by-case basis.
Large sites policy

On sites greater than 5 hectares:

First Priority Community Benefit

20% of additional residential units as affordable housing
Section 37: Type and frequency of community benefits in Toronto (1988-2018)


# of S. 37 Agreements that mention Affordable Housing in some form (1988-2018): 278

36% of S. 37 agreements contain some form of affordable housing benefit
Total # of S. 37 Agreements by year compared with # of agreements containing some form of Affordable Housing benefit in Toronto

- Total # of S. 37 Agreements
- # of S. 37 Agreements w/ Affordable Housing Benefits
Section 37 Benefits by Secured Money amounts¹ (1988-2018)

Money received for affordable and social housing (1988-2020) = $57.6M**
As of Dec. 2020: $32.9M** has been spent; $10.5M** committed but not spent

1: These are estimates. Does not include value of in-kind benefits. Multiple benefits were sometimes lumped together under one large sum of money, so these amounts were not included in the secured amounts. So, money amounts, especially for parks, roads and community & recreation spaces, are an underestimate as I didn’t include the $ value when it was split among multiple benefits.

** These are estimates. Difficult in certain cases to discern how much money was actually received or spent specifically for affordable housing because multiple benefits sometimes lumped together. See forthcoming report for more details.
Section 37 used as a tool to secure rental replacement units as a legal convenience which means that rental replacement units should not be considered a community benefit. Though, prior to 2006-07, it may have been secured as a benefit in certain cases given the 1998 repeal of the *Rental Housing Protection Act*.

Section 37 also typically used to secure tenant relocation and assistance package as part of rental replacement.
% Breakdown of benefits by Select Wards**

** Select Pre- August 2018 Wards with >= 24 S. 37 agreements (1988-2018);
* Other includes libraries
Section 37: Geographic Distribution of Secured Affordable Housing Units in Toronto (1984-2018)
Section 37: Geographic Distribution of Secured Affordable Housing Units in Toronto (1984-2018)

# of Physical Affordable Units by Year
- Social Housing
- 1 - 30
- 30 - 80
- 80 - 124
- 124 - 225
- 225 - 366

TTC Subway Lines
City of Toronto boundary
Pre-Aug. 2018 Ward Boundaries
### Breakdown of secured affordable housing units* by year and by type

<table>
<thead>
<tr>
<th>Year</th>
<th>Affordable Housing</th>
<th>Affordable Ownership</th>
<th>Affordable Rental (1.0 times AMR)</th>
<th>Affordable Rental (0.8 times AMR)</th>
<th>Affordable Student Residence</th>
<th>Affordable Rental (below AMR)</th>
<th>Below Market Ownership</th>
<th>Social Housing</th>
<th>Total</th>
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<tbody>
<tr>
<td>1984</td>
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<td>163</td>
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<td>2008</td>
<td>190</td>
<td>20</td>
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<td>258</td>
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<td>2013</td>
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<td>2015</td>
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<tr>
<td>2016</td>
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<td>50</td>
<td>53</td>
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<tr>
<td>2017</td>
<td>266</td>
<td>83</td>
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<td></td>
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<td></td>
<td>100</td>
<td>449</td>
<td>449</td>
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<tr>
<td>2018</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>1</td>
<td>31</td>
<td>31</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>390</strong></td>
<td><strong>242</strong></td>
<td><strong>843</strong></td>
<td><strong>158</strong></td>
<td><strong>60</strong></td>
<td><strong>50</strong></td>
<td><strong>60</strong></td>
<td><strong>543</strong></td>
<td><strong>2346</strong></td>
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</tbody>
</table>

* does not include projects with % secured for affordable housing so total # is an undercount. Also, this does not include 3 units conveyed to OCAD to house visiting academics.
### Summary table of secured affordable rental units* by depth of affordability (1984-2018)

Current Toronto Official Plan definition of Affordable Rental Housing: Housing where gross monthly rent including utilities is at or below CMHC average market rent (AMR)

<table>
<thead>
<tr>
<th># of units</th>
<th>80% of AMR</th>
<th>1.0 times AMR</th>
<th>social housing</th>
<th>unspecified rent level below AMR</th>
<th>Above AMR</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td># of units</td>
<td>158</td>
<td>843</td>
<td>543</td>
<td>50</td>
<td>266</td>
<td>1860</td>
</tr>
<tr>
<td>% of total</td>
<td>8.5%</td>
<td>45.3%</td>
<td>29.2%</td>
<td>2.7%</td>
<td>14.3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*This does not include projects with % secured for affordable housing.
Following the $
$6M renovation and modernization of vacant 502-508 Parliament Street properties owned by TCHC to provide supportive housing for 44 individuals experiencing homelessness (S. 37 funds transferred in 2020)

- **2015**
  - 40 Wellesley St. East (252-unit Condo) $494,256.60
  - 355 Church St. (334-unit Condo) $551,014.92
  - 70 & 72 Carlton St. (490-unit Condo) $518,231.81
- **2013**
  - 159 Wellesley St. East (286-unit Condo) $115,685.46
  - 197, 197R & 201 Yonge Street and 15 Shuter St. (687-unit Condo) $267,804.22
- **2017**
  - 387 - 403 Bloor Street East and 28 Selby Street (487-unit Condo) $238,334.39
  - 75, 77 and 83 Mutual Street (344-unit Condo/Rental) $153,876.12
  - 219 and 231 Dundas Street East (222-unit Condo) $520,172.91
- **2018**
  - 480-494 Yonge Street and 3 Grosvenor St. (451-unit Condo/Rental) $1,036,262.19
  - 215-229 Church St. & 117 Dundas St. E. (616-unit Condo) $1,792,133.38

- **2016**
  - 411 Church St. (541-unit Condo) $102,892.40

- **2015**
  - 355 Church St. (334-unit Condo) $551,014.92

One more Vignette

**355 Church St. (334-unit Condo)**

**197, 197R & 201 Yonge Street and 15 Shuter St. (687-unit Condo)**

**387 - 403 Bloor Street East and 28 Selby Street (487-unit Condo)**

**75, 77 and 83 Mutual Street (344-unit Condo/Rental)**

**219 and 231 Dundas Street East (222-unit Condo)**

**480-494 Yonge Street and 3 Grosvenor St. (451-unit Condo/Rental)**

**411 Church St. (541-unit Condo)**
What was built?

1984-2018: Type of Proposed Housing Developments with Affordable Housing Benefits

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th># of dwelling units</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condo/Ownership</td>
<td>74,721</td>
<td>71.6</td>
</tr>
<tr>
<td>Condo/Rental</td>
<td>20,436</td>
<td>19.6</td>
</tr>
<tr>
<td>Rental</td>
<td>8,717</td>
<td>8.3</td>
</tr>
<tr>
<td>Condo/Student Residence</td>
<td>489</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>104,363</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Summary of Affordable Housing Benefits

1984-2018 = 2346 secured affordable units = 2.2% of units (does not include projects with % secured for affordable housing)

Over $65 million secured for affordable & social housing
Issues with generating affordable housing

• Competing benefits and priorities;

• Insufficient funds extracted from individual projects to build affordable housing;

• Complexity of negotiated approach;

• Structure and agency.
Concluding remarks

• Incentive-based zoning approach pushed to effective limits to generate new affordable housing, which illustrates the need for a formal IZ program.

• Need for a publicly accessible centralized database that tracks the affordable units that have been secured and produced.
Thanks for listening.
Please send me your comments and/or questions.

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