A Strategy for Significantly Increasing the Supply of "Missing Middle" Housing in the City of Toronto

Centre for Urban Research and Land Development

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Executive Summary

The Toronto Real Estate Board ("TREB") requested that the Centre for Urban Research and Land Development ("CUR") at Ryerson University study ways for greatly expanding the supply of what is now called "missing middle" housing throughout the City of Toronto ("Toronto"). This report is the result of our research.

The report explores the role of missing middle housing in the Toronto market (both past and present), and the reasons for the limited production of new missing middle housing units relative to demand. Further it provides recommendations for significantly increasing the supply of these types of housing units in Toronto in the future.

What Is Missing Middle Housing and Why Should We Be Constructing a Lot More?

Missing middle housing includes housing unit types that fall between a single-detached or semi-detached house and a high-rise apartment building (defined as five or more storeys). These types include ownership and rental townhouses, duplexes, laneway homes and low-rise apartments (triplexes, quadraplexes, stacked townhouses and garden apartments).

A primary goal of significantly enhancing the supply of missing middle housing in Toronto is to provide more affordable, family-friendly housing given the stratospheric prices of single-detached and semi-detached houses.

Toronto's Production of Missing Middle Housing Is Low and Has Fallen Sharply since the Mid-1990s

With the deteriorating affordability of single-detached and semi-detached homes in the Toronto region and especially in Toronto itself, builders shifted their offerings to high rise apartments in the mid-2000s, with reduced construction of townhomes and low-rise apartments - housing types that are typically closer substitutes than high-rise apartments for single-and semi-detached homes.

Just 1,750 missing middle housing units on average were built in the city annually between 2006 and 2016, compared to roughly 2,800 units annually between 1971 and 2005. The peak of missing-middle construction in Toronto occurred between 1946 and 1970, when the city was building 3,875 units per year – more than double the current production.

Clearly something changed as there was a marked shift away from additional missing middle housing being built.

There Is Latent Demand for New Missing Middle Housing in Toronto

Underlying demographic demand has been supportive of missing middle housing type construction in Toronto and the Greater Toronto Area (the "GTA") since the mid-2000s.

There is a much greater substitutability between missing middle housing types and single-detached/semi-detached houses than with the high-rise apartments which were built in huge numbers during this period. A survey conducted by Angus Reed for REMAX Hallmark Ltd. demonstrated a strong preference by prospective buyers for single-detached houses followed by semi-detached houses and then by freehold and condo townhouses. Apartments were a distant fourth.

A 2017 CUR report documented the sharp drop in the volume of single-detached houses being completed in the GTA since the early 2000s. It noted that with the sharply reduced affordability of single-detached homes, and with the Ontario government's planning interventions that favoured townhouses and other denser forms of housing, the expectation would have been for townhouse starts to have increased, rather than to have declined.

Primary Reasons Why More Mid-Density Housing Is Not Being Built in the City of Toronto

The supply of sites available for all types of housing in Toronto is controlled by the municipal government and not by the open market. Toronto governs land-use policy (what gets built where) through the City of Toronto's *Official Plan* (the "Official Plan"), which outlines policy goals related to housing, infrastructure, transit, economic development and environmental stewardship. The Official Plan provides the basis for planning decisions, zoning bylaw changes and decisions on development applications. Neighbourhood-specific Secondary Plans ("Secondary Plans") are meant to conform to the policy objectives of the Official Plan.

In the current system, there are conflicting interests among builders, homeowners and politicians. Builders want enhanced density, as they are developing projects in a market marked by high demand and rising land costs. In contrast, homeowners have a vested interest in their neighbourhoods, and they are also concerned about the impact of development on their day-to-day living and on the value of their property. As Toronto has a ward style municipal governance system, politicians are focused on responding to local concerns, rather than responding to what is best for the municipality or the region as a whole.

As we shall see, the Official Plan stringently protects most neighbourhoods across Toronto (the so-called "yellow belt") from densification. The result is inertia on land-use changes which would open up existing lower-density neighbourhoods to increased density even where these changes would be in the public good.

There are a number of implications that arise from the planning regime in Toronto:

- The amount of land open to various types of development is artificially restricted by policy;
- Regulations slow down the process by which supply can respond to demand;
- The development process favours continued growth in high-density pockets of the city;
- Over the 30-year span of the Official Plan, more than 800,000 new people will have to be accommodated in only 25% of the city's geography; and
- The Official Plan, taken strictly, also protects many fairly low-density neighbourhoods located along subway lines in the city.

The fundamental constraint to building more missing middle housing in Toronto is resistance to change by the majority of the current residents of its neighbourhoods and by its ward councillors. To have a real impact on housing affordability and to provide a great deal more family-friendly housing, Toronto must make room for creative ideas on how to use its existing housing stock, much of which is protected under the Official Plan. The case-by-case review of missing middle housing projects and the prohibition of those projects in much of Toronto results in only small amounts of such development occurring at any given time. The most efficient approach would be to loosen restrictions on land that can be developed with missing middle typologies, while still balancing those development requirements with height restrictions and design requirements that do not unnecessarily impede production.

What Are the Options for Generating A Lot More Missing Middle Housing in the City of Toronto?

A return to more affordable home price levels in Toronto is unlikely, barring a catastrophic downturn in the housing market. The best solution to the affordability crunch is to open up space for more affordable options, such as missing middle housing, and to provide an environment where the supply of housing can more easily respond to demand.

This will require a fundamental shift in the policies of Toronto's Official Plan away from the rigid protection of existing residential neighbourhoods (the yellow belt) to the recognition and prioritization of the creation of large numbers of missing middle housing units.

To offer a scale of housing development that would make a difference in the affordability of family-friendly types of housing, densification will have to be allowed to take place in the large parts of Toronto where residential development or redevelopment is now prohibited. This can be done by (a) rezoning to allow more infill and missing middle housing in existing neighborhoods, (b) creating missing middle communities on lower priority employment (industrial) lands, and (c) incentivizing missing middle housing on Avenues with lower property values.

Spreading population growth much more broadly across Toronto could be done with a relatively small increase in overall neighbourhood density. The ten neighbourhoods with the largest share of missing middle housing have an average density of 7,207 people per square kilometre (18,666 per square mile), compared to 3,343 people per square kilometre (8,658 per square mile) in the ten neighbourhoods with the largest share of single-detached homes and to 15,000 people per square kilometre (38,848 per square mile) in neighbourhoods predominately made up of apartments. Therefore, Toronto could accommodate a significant amount of growth over a 30-year period by allowing more missing middle housing in a greater number of neighbourhoods. Toronto could create room for over 200,000 units by opening up predominately single-detached neighbourhoods to missing middle construction.

Many neighborhoods undoubtedly will be resistant to increased population density. It should be noted though, that some neighbourhoods with the highest proportion of missing middle housing (where this housing accounts for more than 50% of the area's housing stock) are well sought after neighborhoods with high house prices, including Trinity Bellwoods, Roncesvalles, the Beaches, Riverdale (which includes Leslieville) and the Junction. Much of the missing middle housing was built decades ago.

Toronto's Official Plan protects most of Toronto's geographic space from development, including low-density residential neighbourhoods in population decline. The same is true for employment districts that are outdated and underutilized.

Policies for the City of Toronto to seriously consider in order to encourage a marked increase in the supply of more affordable missing middle homes for both purchase and rental include:

- ***Incentivizing second suites in existing single-detached and semi-detached houses as the quickest and most cost-effective way to increase in the supply of missing middle housing.***

  Toronto lags behind other large Canadian cities in building second suites. Toronto has the lowest share (14%) of duplexes in relation to the number of single-detached homes in comparison to other large Canadian cities such as Vancouver (55%) and Montreal (46%). Toronto could add 300,000 to 400,000 secondary/additional suites to its current single-detached and semi-detached house stock to reach Vancouver and Montreal 2016 levels.

- ***Ultimately broadening the type of housing permitted in all residential neighbourhoods to include townhouses, stacked townhouses, duplexes, triplexes, fourplexes and other low-rise apartment style homes.***

  This could be implemented in stages as is being done in Minneapolis where the intention is to permit duplexes and triplexes to be built in existing lower density neighbourhoods. The introduction of Density Transition Zones on the edges of neighbourhoods should also be considered.

- ***Examining older, less viable employment areas for lands that are suitable for the creation of missing middle communities and the creation of new communities.***

  With more than 8,000 hectares (20,000 acres) of employment (industrial) areas and an economy increasingly propelled by jobs in office buildings, it is reasonable to expect there are lower priority industrial lands that could be candidates for conversion to accommodate missing middle housing.

  There are precedents for the conversion of older employment (industrial) areas, in whole or in part, to missing middle housing where employment has declined and businesses have relocated to the 905 regions or ceased operations. These include the former stockyards lands at Keele Avenue and St. Clair Avenue West and what are now known as Warden Woods lands at Warden Avenue and St. Clair Avenue East.

- ***Facilitating the production of missing middle housing units by pre-zoning corridors along the portions of the Avenues where (and while) these housing forms are economically feasible.***

  There are ways to strengthen the financial feasibility of the development of sites on Avenues which are some distance away from the Downtown, such as along Kingston Road east of McCowan Road in the former Scarborough, for missing middle housing. A key contribution municipal planners could make in regards to these Avenues pertains to pre-zoning lengthy strips of land on both sides of the road for the development of missing middle housing and to create Density Transition Zones with the adjacent neighbourhoods.

We recommend that Toronto City Council establish and monitor targets for the production of missing middle types of housing in Toronto. These targets will demonstrate that Toronto is truly committed to providing a great deal of more affordable, family-friendly forms of housing as represented by missing middle housing types.

1. Background

There is much lamenting concerning the lack of missing middle housing being built in the City of Toronto (Toronto) and, indeed, the larger Greater Toronto Area (GTA) region.[1] In a little more than a decade, the construction of high-rise towers has come to dominate the new housing scene, first in the city itself and then in the region. At the same time, the production of new lower-density housing, single-detached and semi-detached houses, has slowed markedly because of provincial land-use policies and the growing scarcity of serviced sites for these housing types in the 905 regions. In 2018, the number of GTA apartment units (mostly high-rise) started surpassed the volume of combined single-detached houses, semi-detached houses and townhouses started for the first time in 20 years.

In an environment of robust demand, the shortfall in the production of new single-detached and semi-detached houses has inevitability contributed to sharply rising house prices. In a well-functioning market, the suppliers of the product in short supply would increase production. If this were not possible, suppliers would shift their production to products that customers regard as reasonable substitutes for the scarce product.

Few would regard a small unit on the 25th floor of a high-rise tower, often in a concrete jungle, as a reasonable substitute for either a single-detached or a semi-detached house. Townhouses, duplexes, laneway homes, stacked townhouses and other apartments in low-rise structures are closer substitutes, and have the advantage of being progressively more affordable than single-detached and semi-detached houses built in similar locations. This report refers to these unit types as missing middle housing.

The Toronto Real Estate Board ("TREB") requested the Centre for Urban Research and Land Development ("CUR") study ways for greatly expanding the supply of missing middle housing throughout Toronto. This report is the result of our research.

The report explores the role of missing middle housing in the Toronto market (both past and present), reasons for the limited production of new missing middle housing types relative to demand, and provides recommendations for significantly increasing the supply of these types of housing units in Toronto in the future.

2. What Is Missing Middle Housing and Why Should We Be Constructing a Lot More?

Missing middle housing includes housing unit types that fall between a single-detached or semi-detached house and a high-rise apartment building (defined as five or more storeys). These types include ownership and rental townhouses, duplexes, laneway homes and low-rise apartments (triplexes, quadraplexes, stacked townhouses and garden apartments). The following types of units in the Census of Canada are regarded as part of missing middle housing:

- Row house - one of three or more dwellings joined side-by-side (or occasionally side-to-back), such as a townhouse or garden home, but without any other dwellings either above or below. Townhouses attached to a high-rise building are classified as row houses;
- Apartment or flat in a duplex - one of two dwellings, located one above the other, that may or may not be attached to other dwellings or buildings;
- Apartment in a building that has fewer than five storeys - a dwelling unit attached to other dwelling units, commercial units, or other non-residential space in a building that has fewer than five storeys. Stacked townhouses are included in this category; and
- Other single-attached house - a single dwelling that is attached to another building and that does not fall into any of the other categories, such as a single dwelling attached to a non-residential structure (e.g., a store or a church), or occasionally to another residential structure (e.g., an apartment building).

For convenience, this study refers to these housing types respectively as townhouses, duplexes, low-rise apartments and other. Laneway houses are not statistically included in the missing middle category if they are freestanding detached houses. This delineation of missing middle housing approximates the definition coined by American architect Daniel Parolek (see Figure 1).

Figure 1: Diagram of Missing Middle Housing Types

Source: Illustration attributed to Opticos Design Inc., 2015, Missing Middle Housing.com http://missingmiddlehousing.com/resources/

A primary goal of significantly enhancing the supply of missing middle housing in Toronto is to provide more affordable, family-friendly housing given the stratospheric prices of single-detached and semi-detached houses.

3. Toronto's Production of Missing Middle Housing Is Low and Has Fallen Sharply Since the Mid-1990s

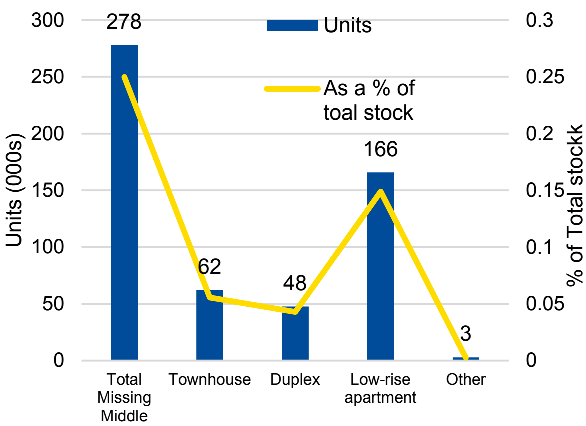
3.1 One in Four Occupied Housing Units in Toronto in 2016 Were Missing Middle Units – Much Lower than Montreal and Vancouver

In mid-2016, Toronto had a total of 277,545 missing middle housing units in its housing stock. This is equivalent to about 25% of the city's total stock of occupied housing units (see Figure 2).[2]

Low-rise apartments are the single largest type of missing middle housing, accounting for about 60% of the total missing middle stock. Townhouses are next in importance, followed by duplexes. Many of the duplex units are second suites created in what were previously single-detached houses (e.g., basement or in-law suites). The "other" category of missing middle housing is inconsequential in number.

Other highlights from a review of the 2016 Census of Canada housing data for Toronto

Figure 2: Missing Middle Housing in Units and as % of Total Housing Stock, City of Toronto, Mid-2016



*Housing stock approximated by number of occupied private dwelling units
Source: CUR based on 2016 Census of Canada data (Appendix Figure A-3)

follow (see Appendix A for supporting details):

- The 905 portions of the Toronto Census Metropolitan Area (CMA) have a much smaller share of missing middle forms of housing than Toronto – just 10%;
- The cities of Montreal and Vancouver have much larger shares of missing middle housing than Toronto – 70% and 54%, respectively, while the cities of Calgary and Ottawa are slightly higher (at 30% and 35%);
- The proportion of missing middle housing in the parts of the census metropolitan area excluding the central city is highest in Vancouver (35%) followed by Montreal (18%); and
- Montreal has many more low-rise apartment and duplex units than Toronto even though Montreal is smaller in size. Vancouver also had marginally more duplex units than Toronto. Toronto in turn had more townhouses than the other two central cities.

3.2 A Long-Term Decline in the Role of Missing Middle Housing in Toronto with Pronounced Declines in 1946-1970 and Again in 2006-2016

Prior to the end of the Second World War, Toronto's missing middle housing types were prominent in the housing stock, at the time accounting for 39% of all housing units. By 2016, the missing middle share of units added to the stock during the previous decade had fallen to a dismal 13% (see Figure 3). The 2006-2016 decade was the second of two periods of pronounced decline in the missing middle share of new housing stock. This share remained fairly constant, at about 25%, from 1946 to 2005.

The two notable periods of decline occurred in:

- 1946-1970 when the share of missing middle housing built dropped from 39% in the period before to about 25%; and

- 2006-2016 when the share dropped to about 13% from 23% in the preceding decade.

The 1946-1970 decline in the share of new housing that was missing middle coincided with a postwar surge in the construction of single-detached houses as the housing market responded to the demands of returning military personnel, rising births, and a postwar improvement in living standards. The 2006-2016 decline coincided with the introduction of provincial planning legislation, including the 2005 *Greenbelt Act* (the "Greenbelt Act") and the 2006 *Growth Plan for the Greater Golden Horseshoe* (the "Growth Plan"). This legislation aimed to reduce single-detached house construction on greenfield lands and to promote intensification within existing urban areas. The surge in the number of millennials entering the market, who preferred to live in rental and owner housing in central Toronto, contributed to the growth in high-rise apartments.

Highlights of the role of missing middle housing in the housing stock by period of construction in other central cities include (see Appendix A for details):

- Montreal also experienced a marked decline in the share of missing middle housing added to its housing stock from pre-1946 to 2006-2016 from about 80% to nearly 50%, but all of the decline occurred before 2006-2016. Montreal's missing middle housing share increased from about 40% in 1996-2006 to nearly 50% in 2006-2016 - the opposite of which had occurred in Toronto;
- Vancouver, in contrast, had a fairly constant share of missing middle additions to its housing stock over time - 50% plus or minus of the total new housing built.

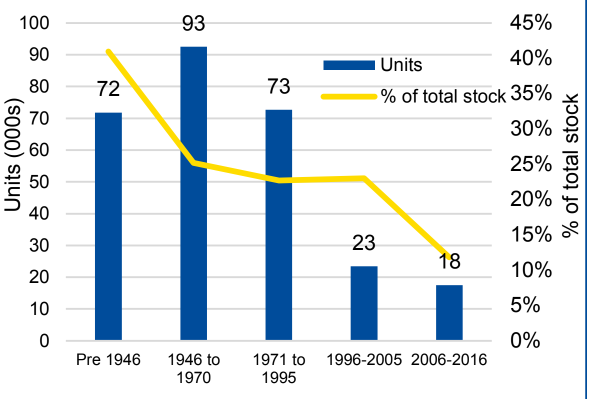
3.3 Striking Shift in Mix of Missing Middle Housing Added Over Time in Toronto from Low-Rise Apartments and Duplexes to Townhouses

Prior to 1970, low-rise apartments were the single largest component of missing middle housing being added to Toronto's housing stock, followed by duplexes – there were few townhouses built (see Figure 4).

Subsequently the mix shifted, with townhouses becoming the largest component of missing middle housing, as its share rose to about half in 2006-2016. Townhouses are generally regarded as more family-friendly than low-rise apartments, but they are also more costly.

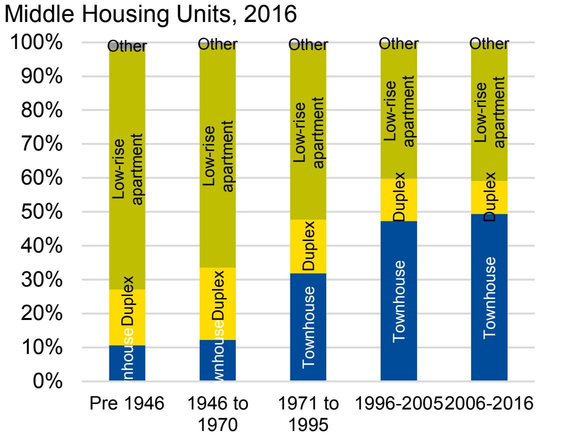
Based on the 2016 Census of Canada, there are noticeable differences between the housing mix shifts in Toronto and other central cities by period of construction (see Appendix A for details):

Figure 3: Missing Middle Housing Stock in Units and as a % of Total Stock by Period of Construction*, City of Toronto, Mid-2016



*Housing stock approximated by number of occupied private dwellings
Source: CUR based on 2016 Census of Canada data (Appendix Figure A-3)

Figure 4: Missing Middle Housing by Period of Construction and Type of Unit, City of Toronto, Percent of Total Missing Middle Housing Units, 2016



Source: CUR based on 2016 Census of Canada data (Appendix Figure A-6)

- In Montreal, low-rise apartments have been the dominant form of new missing middle housing added to the stock over all periods – in 2006-2016 they accounted for 87% of all additional missing middle units, the highest recorded. Very few townhouses have been built in Montreal. Duplexes were significant in the mix in the period prior to 1970, but their share of housing stock fell sharply lower after that;
- Low-rise apartments have also been dominant in Vancouver over all time periods, but especially 1946 to 2005. Compared to Toronto and Montreal, duplexes in Vancouver have also been an important component of the missing middle housing stock over all periods, having accounted for 41% of the additions in 2006-2016. Only a small number of townhouses have been built in Vancouver over time; and
- In Calgary, low-rise apartments have been the dominant missing middle housing type, followed by townhouses. The reverse is true in Ottawa, where townhouses have dominated.

3.4 Production of Missing Middle Housing Still Low in Toronto

Completions data from CMHC for 2014-2017 for the Toronto CMA (City of Toronto data was not available) indicate that the region is building only limited numbers of missing middle housing units. Moreover, what is being built is mainly townhouses, rather than more affordable missing middle housing types such as stacked townhouses or other low-rise apartments (see Figure 5).

Moreover, Toronto is falling further behind other regions in developing its "missing middle". Between 2014 and 2017 both Calgary and Vancouver, already ahead in their supply of missing middle housing, added the same amount of mid-rise housing as Toronto. Montreal, in contrast, has had many more missing middle housing units added (mainly low-rise apartments).

3.5 Conclusion

With the deteriorating affordability of single-detached and semi-detached homes in the Toronto region and especially in Toronto itself, builders shifted their offerings to high rise apartments in the mid-2000s, with reduced construction of townhomes and low-rise apartments - housing types that are typically closer substitutes than high-rise apartments for single-and semi-detached homes.

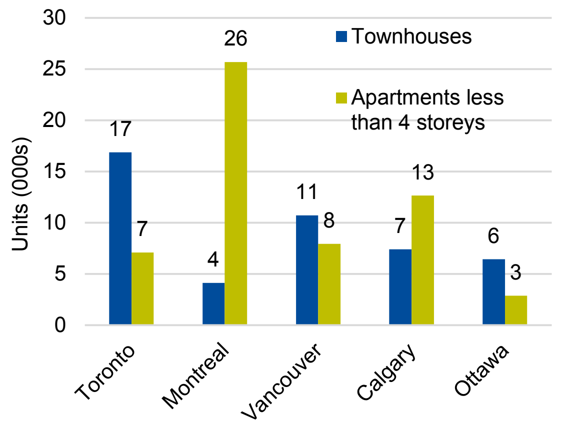
Just 1,750 missing middle housing units on average were built in the city annually between 2006 and 2016, compared to roughly 2,800 units annually between 1971 and 2005. The peak of missing-middle construction in Toronto occurred between 1946 and 1970, when the city was building 3,875 units per year – more than double the current production.

Clearly something changed as there was a marked shift away from additional missing middle housing being built.

4. There Is Latent Demand for New Missing Middle Housing in Toronto

The reasons behind the low production of missing middle housing in Toronto since the mid-2000s has to be the result of

Figure 5: Mid-Rise Housing Completions by Type of Unit, Five CMAs*, 2014-2017



*Data for Census Metropolitan Areas (CMA)
Source: Townhouses (CMHC) and apartments less than 4 storeys (Canadian Home Builders Association)

either demand causes, supply causes or a combination of supply and demand causes. This section examines the demand side and concludes there is plenty of evidence that if sizeable numbers of affordable missing middle housing units were available, there would be robust demand for them by both owners and renters. This is also true for municipalities adjacent to Toronto, especially for locations in proximity to rapid transit such as near GO stations.

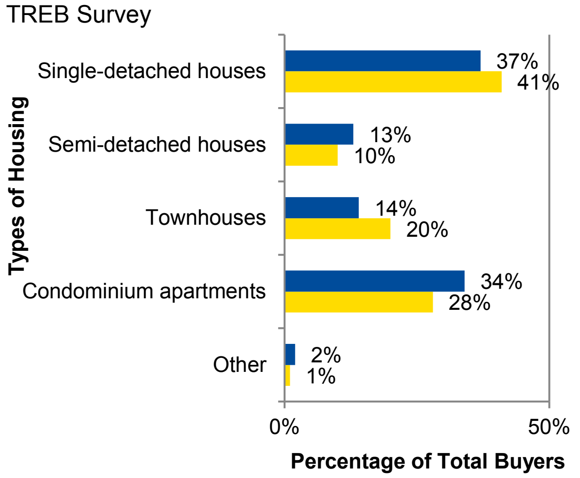
4.1 Strong Underlying Preference for Ground-Related Homes in the City of Toronto, Including among Millennials[3]

It is evident from various CUR reviews of surveys of prospective and actual homebuyers that there is a strong underlying desire for single-detached houses by the residents of Toronto and the larger metropolitan area. A 2017 CUR study concluded that: "(a) GTA housing preferences strongly favoured ground-related homes [single-detached, semi-detached, and townhouses], especially single-detached houses, and (b) these preferences cross all age groups, including millennials."[4] The study included results from the following surveys:

- **TREB survey of GTA home buying intentions conducted by IPSOS in late 2016 (see Figure 6)[5]**
  - Two-thirds of respondents intending to buy a home in Toronto said they would most likely buy a ground-related home rather than an apartment;
  - Even more of the respondents intending to buy in the 905 regions stated they would most likely buy a ground-related home – 85%; and
  - Thirty-seven percent of prospective buyers in Toronto intended to buy a single-detached house, as did 55% of respondents in the 905 regions.
- **Genworth survey of purchases of Toronto homes by first-time buyers conducted by Environics Research Group in early 2017 (see Figure 7)[6]**
  - Almost two thirds of first-time buyers buying a home in the twenty-four months prior to being surveyed bought a ground-related home rather than an apartment; and
  - Thirty percent of first-time buyers bought a single-detached house.

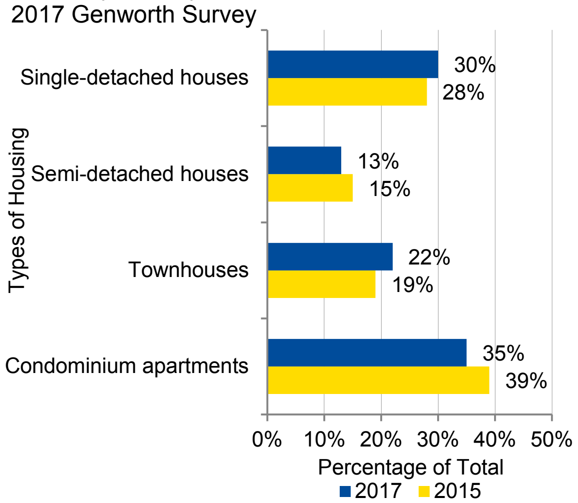
A survey conducted by Angus Reid for REMAX Hallmark Limited in 2015 provided an indication of the substitutability of various housing types in the minds of prospective GTA buyers. Respondents were asked what types of housing they would be interested in buying, rather than only their preferred option, which allowed them to respond with

Figure 6: Type of Home Most Likely to Purchase 2016 vs. 2017, City of Toronto, TREB Survey



Source: Toronto Real Estate Board, 2016 Year in Review and 2017 Market Outlook presentation, January 31, 2017.

Figure 7: Type of Home Bought by First Time Buyers, City of Toronto, 2015 and 2017 Genworth Survey



Source: Environics Research Group on behalf of Genworth Canada, *2015 and 2017 Genworth Financial – First-Time Homeownership* a preference for more than one housing type. The responses total up to 75% more than the number of respondents (see Figure 8).[7]

The results of the survey showed a pronounced preference for single-detached houses followed by semi-detached houses and townhouses (freehold or condo):

- 69% of respondents stated they were interested in buying a single-detached house;
- 76% stated they were interesting in buying a semi-detached house or a townhouse (freehold or condo); and
- Only 30% stated an interest in buying an apartment.

Finally, a CUR study released earlier this year concluded the majority of GTA millennials would prefer ground-related homes when it will come time for them to purchase.[8]

4.2 Exceptional Growth in the City's Employment Market Adding to Demand Pressures

The pace of employment growth in Toronto has been much stronger than had been expected in the forecasts underlying the 2017 Growth Plan. Toronto's share of employment growth in the Greater Golden Horseshoe between 2006 and 2016 (32%), massively exceeded both its forecast share (16%) and its share of population growth (21%).[9]

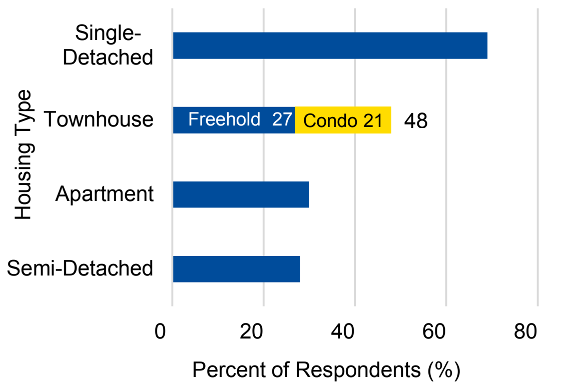
According to the City's employment survey, Toronto's Downtown generated a total of 97,650 jobs in the five year period ending in 2017, which was 52% of its total job creation.[10] Agglomeration economies that are promoting the concentration of businesses in Toronto's Downtown, and the large, educated labour force living in Downtown condos have contributed to Toronto's economic strength.

4.3 Affordability Challenges Prevent Many from Achieving Their Dream House Even If They Commit to Long Commutes

The purchase of a single-detached house in the GTA is out of reach for most prospective buyers. The situation is even direr for those wanting to buy in Toronto. According to affordability estimates for the Toronto CMA prepared by economists at RBC in the first quarter of 2018 (see Figure 9):[11]

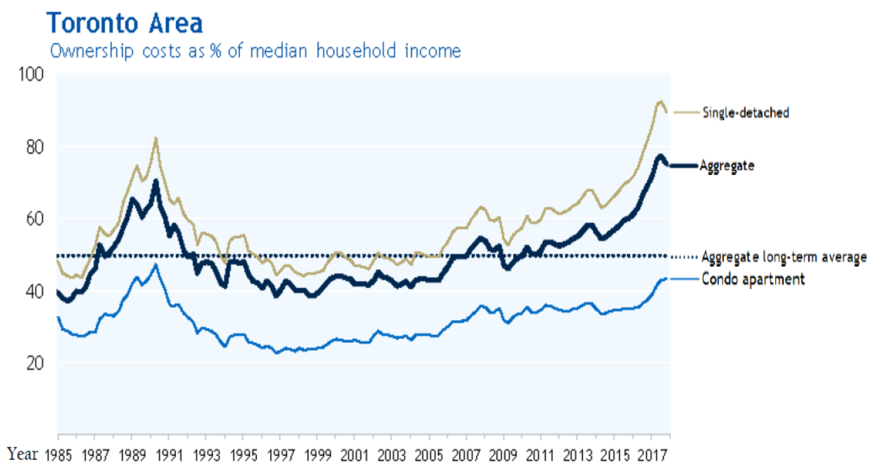
- The average price of a single-detached house was $1,044,600 (assuming a 25% down payment), and the average household would have to devote 91.3% of its income to this purchase; and
- The average price of a condominium apartment was $516,300. The average household would have to devote 47% of its income to this purchase.

Figure 8: Types of Homes Prospective Homebuyers are Interested in, GTA, 2015*



*Respondents could select more than one housing type
Source: Ms. Eva Blay-Silverberg, personal communication, June 21, 2016

Figure 9: RBC Affordability Measure for Homeownership in Toronto Area



Source: RBC, *Housing Trends and Affordability, April 2018*

The affordability of missing middle housing would be within these two extremes.

Benchmark price data from the Toronto Real Estate Board (TREB) shows that prospective buyers, both in Toronto and in the regions surrounding it, also face very high prices for resale single-detached houses (see Figure 10).[12]

While the Durham Region is much more affordable than the others, this is because of the distance to Toronto from municipalities such as Oshawa and beyond. Prices in Pickering and Ajax are much higher than the Durham regional average.

4.4 Lack of Affordable Options Other Than High-Rise Condominium Apartments

A 2017 CUR report documented the sharp drop in the volume of single-detached houses being started in the GTA since the early 2000s (see Figure 11).[13] It noted that with the sharply reduced affordability of single-detached homes, and with the Ontario government's planning interventions that favoured townhouses and other denser forms of housing, the expectation would have been for townhouse starts to increase, rather than to decline. Yet townhouse starts declined from an average of about 6,800 units per year in 2001-2005 to about 5,000 units in 2006-2016. That low level of townhouse starts has continued. CUR's study concluded that a primary reason for this decline in townhouse starts has been a scarcity of serviced sites.

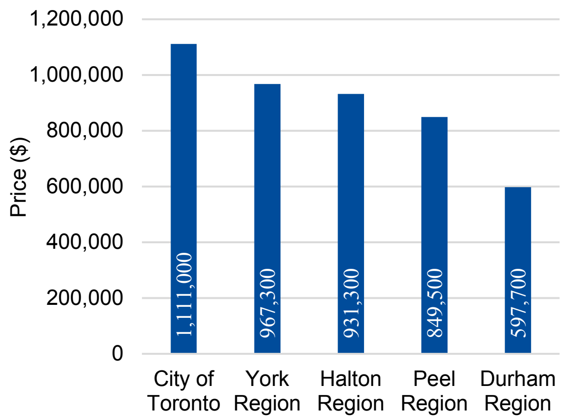
Another CUR study examined the costs of building new townhouses in the GTA, and concluded that, while new townhouses are less expensive than new single-detached houses, their cost is still such that they remain out of reach for many prospective buyers.[14] The study concluded that this is largely because the serviced land component of new townhouses is inordinately high. It noted that MCAP estimated the average serviced townhouse lot value in the GTA in the spring of 2018, including development charges, at $307,500.

4.5 Conclusion

Underlying demographic demand has been supportive of missing middle housing type construction in Toronto and the GTA since the mid-2000s.[15]

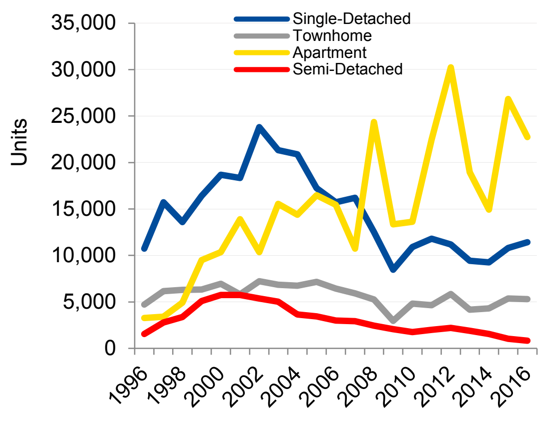
There is a much greater substitutability between missing middle housing types and single-detached/semi-detached houses than with the high-rise apartments which were built in huge numbers during this period. A survey conducted by Angus Reed for REMAX Hallmark Ltd. demonstrated a strong preference by prospective buyers for single-detached houses followed by semi-detached houses and then by freehold and condo townhouses. Apartments were a distant fourth.

Figure 10: Benchmark Price for MLS Single-Detached Homes, November 2018



Source: CUR based on TREB Market Watch, November 2018

Figure 11: Housing Starts by Unit Type, GTA, 1996-2016



Source: CUR based on CMHC data.

A 2017 CUR report documented the sharp drop in the volume of single-detached houses being completed in the GTA since the early 2000s. It noted that with the sharply reduced affordability of single-detached homes, and with the Ontario government's planning interventions that favoured townhouses and other denser forms of housing, the expectation would have been for townhouse starts to have increased, rather than to have declined.[16]

5. Reasons Why More Mid-Density Housing Is Not Being Built in the Toronto

Toronto faces challenges in supplying both affordable housing (social housing for low-income households) and housing affordability (affordable housing options for middle-income households). Affordable housing is a direct cost to the municipal government (though it receives funding assistance from the senior governments), and this cost is growing.

By enhancing the supply of missing middle housing in the marketplace, Toronto can better help more households access affordable housing without the need for additional direct or indirect government subsidies.

The economic impact of the deterioration in housing affordability is sometimes less easy to observe, but it can be significant over the long term. High home prices can make it harder to retain talent and attract businesses, leading to a long-term decline in economic performance. The deterioration in housing affordability also means that the children of existing residents will find it increasingly difficult to live in Toronto. Often when homeowners advocate for policies to protect their home values, these policies end up having adverse consequences for their children.

Policy makers, homeowners and developers are on the same page – we need to develop more of the right types of housing for our future labour force – which means more missing middle types of housing. The current planning system in Toronto, however, favours high density in pockets of the city, while protecting most of the remaining areas from development or intensification. The housing affordability challenge in Toronto is a city-wide, even region-wide, concern, which needs bold leadership if it is to be resolved. Central to this is the need for the increased production of missing middle housing. Politicians must focus on encouraging this housing if affordability for families is to be concretely addressed.

5.1 The Political Challenges Facing Missing Middle Housing

The lack of missing middle housing is often attributed to the Not in My Backyard ("NIMBY") mentality of homeowners. This section describes how housing market dynamics, policy makers and municipal policy interact to enforce NIMBYism in Toronto.

Housing is both an investment and a consumption good. Housing delivers households a service - a place to live. This service can be purchased through renting or owning. Housing is also an investment that generates both income and capital appreciation.[17]

Only 52% of households in Toronto are headed by homeowners. However, that number is heavily skewed by pockets around the city where the number of households living in apartments are concentrated. Almost three-quarters of Toronto's geographic land space is dominated by neighbourhoods of single-detached or semi-detached homes - 92% of which are occupied by homeowners.[18]

Since housing is spatially fixed, homeowners are buying into a neighbourhood they value as well as the house itself. Homeowners are likely to pay a premium for being close to good schools, transit and jobs. In the GTA, homeowners are willing to pay a premium of 15% (semi-attached) to 35% (detached) for homes in the best school districts.[19] Improvements to transit can add a premium of up to 12% to home prices in the GTA (relative to areas with poorer transit).[20] Home prices are higher in well-served locations as opposed to locations located further out.

Builders and developers supply new housing, and builders look to build projects they project to be profitable, as based on land, regulatory, building costs and expected revenues.[21] The higher the land and regulatory costs, the more they will want to build developments with increased density.[22] In an unrestricted market (and assuming there is demand), the price of land would result from what can be built on it. Builders assess the land, determine what type of density would be profitable, and then pay a price up to what is consistent with that level of density. In other words, if missing middle housing were the most profitable option for builders, it would be built.

The supply of sites available for all types of housing in Toronto, however, is controlled by the municipal government, and not the open market. Toronto governs land-use policy (what gets built where) through the City of Toronto's *Official Plan* (the "Official Plan"), a document that outlines policy goals related to housing, infrastructure, transit, economic development and environmental stewardship.[23] The Official Plan provides the basis for planning decisions, zoning by-law changes, and decisions on development applications.[24] Neighbourhood-specific Secondary Plans ("Secondary Plans") are meant to conform to the policy objectives of the Official Plan.

In the current system, there are conflicting interests among builders, politicians and homeowners. Builders want enhanced density, as they are developing projects in a market marked by high demand and rising land costs. In contrast, homeowners have a vested interest in their neighbourhoods, and they are also concerned about the impact on their day-to-day living and the value of their property. As Toronto has a ward style municipal governance system, politicians are focused on responding to local concerns, rather than responding to what is best for the municipality or the region as a whole. As we shall see, the Official Plan stringently protects most neighbourhoods across Toronto from densification.

The result is inertia on land-use changes which would open up existing lower-density neighbourhoods to increased density even where it would be in the public good to do so.

5.2 The Land Use Planning Regime and Its Implications: Missing Middle Is Not Being Built Because It Is Restricted/ Disincentivized by the Official Plan

This section further demonstrates how protecting current neighborhoods has left little room for the creation of significant amounts of missing middle housing in Toronto.

The Growth Plan and the Official Plan both work to incentivize high density in pockets of locations with mid-density along "Avenues", while protecting the majority of Toronto's geographical space from new development (other than the replacement of older houses with newer ones).

The Toronto Official Plan sets out where major development can and cannot occur. Currently it aims to direct Toronto's population and job growth into less than 25% of its geographical space in a thirty year span.[25] Most of the focus has been put on high-density developments in the City of Toronto's Downtown and the five Centres of Etobicoke Centre, North York Centre, Scarborough Centre, and Yonge-Eglington, along with mid-density development along the Avenues. These Avenues are arterial corridors intended to accommodate mid-density developments up to 10 storeys, not necessarily missing middle housing.[26]

Most of the Avenues, Downtown and the Centres have been designated and zoned mixed-use, and are available for mid and high-density development. However, development applications must still go through a lengthy, costly and uncertain process to get zoning by-law change permissions for the densities that are ultimately built.

Municipal officials assess each development on a case-by-case basis, and each application is subject to a number of criteria outlined in Toronto's Official Plan, including height requirements, heritage, greenspace and infrastructure requirements.[27] Each application undergoes a comprehensive review by city staff, which involves back-and-forth negotiation with developers and community consultations. A project's success will depend on how much weight the City gives to community consultations, and this process alone can take up to nine months.[28]

The other 75% of Toronto's built up land area is defined as "stable neighbourhoods". This ensures they will not be subject to intensification, as the priority is to prevent a change in the character of the neighbourhood. The only types of units that can be built in these neighbourhoods are the prevailing dominant housing type. The result is that, in a neighbourhood predominately made up of single-detached homes, only a single-detached home can be built. Regeneration and renewal of older buildings has been allowed in neighbourhoods that are predominately apartments ("apartment neighbourhoods"), but the creation of new buildings is limited and typically high-rise in nature.

There are a number of implications that arise from the current planning regime in Toronto:

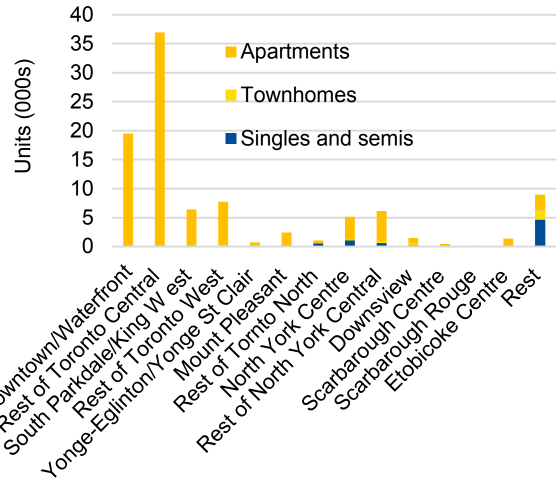
- **The amount of land open to development is artificially restricted by policy.** In economic theory, when the supply of something is restricted with a given demand, the price goes up. High land values will require more density than is offered by missing middle housing types for developments to be financially feasible;
- **The regulatory process slows down the process by which supply can respond to demand.** The development of 376,480 units have been proposed between 2013 and 2017, 290,039 of which have yet to be approved and/or built;[29]
- **Missing middle is only a viable option in a small percentage of the City's geographic land space as the rest is either protected for single-detached homes or would favour mid- or high-rise developments (buildings of more than 4-storeys);**
- **Development policies favour continued growth in high-density pockets of the city.** Density will continue to rise in the Downtown: 40% of active building permits and 31% of projects currently under review in Toronto are in the Downtown and Waterfront area. Another 25% are for mid-density development along the Avenues;[30]
- **Over the 30-year span of the Official Plan, more than 800,000 new people will have to be accommodated in only 160 square kilometres (25% of the city's geography).** That implies an increase in density of 5,000 people per square kilometre in areas targeted for growth, while most of Toronto (the Neighbourhoods) will see no change;[31] and
- **The Official Plan, taken strictly, also protects fairly low-density neighbourhoods along the subway.** This includes those neighbourhoods near transit stations, such those along the Yonge line (Rosedale, Summerhill and Lawrence), along the University-Spadina line (Glencairn) and east along the Bloor line (stations east of the Don Valley).[32]

5.3 Where New Housing by Unit Type Is Being Built in Toronto

Figure 12 highlights how development in Toronto's 140 neighbourhoods took place between 2012 and 2017, and highlights those with the most activity.[33] The majority of development during this period occurred in Toronto's Downtown areas and Centres, while many low density neighbourhoods had no development at all, remaining to a large degree neighbourhoods of single-detached homes. The Secondary Plans adopted for the neighbourhoods outside of the Downtown core allowed for higher density along the Avenues, while still protecting the majority of these neighbourhoods from significant change.

The Downsview area in North York was one of few areas outside of the central areas with a Secondary Plan with a significant amount of land designed for a range of housing types. The result is a better range of housing options than anywhere else in Toronto. While development in Downsview had been dominated by apartments, 21% of everything built between 2012 and 2017 has been townhomes.

Figure 12: New Housing Completions, by Neighbourhood in the City of Toronto, Total, 2012 to 2017



Source: CUR based on CMHC data

5.4 Highland Creek Community Secondary Plan Illustrates Protectionism of Single-Detached Neighbourhoods

The Highland Creek community is located in the Rouge area (an eastern part of Scarborough adjacent to University of Toronto Scarborough with its 13,000+ students). 84% of the dwellings in the area are single-detached homes, making it the neighbourhood with the second largest concentration of single-detached homes. The Secondary Plan for Highland Creek describes the community as encompassing residential areas characterized by detached dwellings on spacious treed lots. The Plan states that "the preservation of this character within the residential areas of the Community will be the principal criterion in evaluating development proposals." [34]

To enforce the preservation of the existing residential area, development is restricted to single-detached houses on a minimum lot of 450 square metres (4,845 square feet) in some parts, while in others, development is restricted to single-detached houses with minimum lot size of 830 square metres (8935 square feet). The Plan does designate a few individual land parcels, mainly along Kingston Road, for future development as townhouses.

While this Plan is consistent with the objectives of Toronto's Official Plan in protecting existing single-detached houses in their current setting, the opportunity to densify the community and provide many more missing middle homes has been lost in a community with a huge housing demand generator (University of Toronto Scarborough).

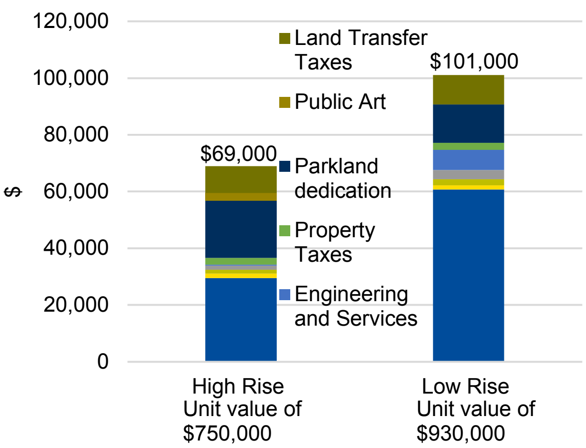
5.5 Toronto Imposes a Considerable Financial Burden on New Residential Development

In addition to the regulatory burden faced by developers, Toronto also adds a significant amount in taxes and levies (development charges) to new development to pay for municipal services (see Figure 13). These include (but are not limited to) schools, infrastructure, green space and transit. These fees can contribute 10% to the final price of a new low-rise or high-rise dwelling.[35] Development charges alone range from roughly $61,000 a unit on a semi-detached or single-detached home, to $24,000 on one bedroom and bachelor apartments. The conversion of a single-detached home to a multi-unit home is subject to these development charges.

5.6 Conclusion

The supply of sites available for all types of housing in Toronto, however, is controlled by the municipal government, and not by the open market. Toronto governs land-use policy (what gets built where) through the City of Toronto's *Official Plan* (the "Official Plan"), which outlines policy goals related to housing, infrastructure, transit, economic development and environmental stewardship.[36] The Official Plan provides the basis for planning decisions, zoning by-law changes and decisions on development applications.[37] Neighbourhood-specific Secondary Plans ("Secondary Plans") are meant to conform to the policy objectives of the Official Plan.

Figure 13: City of Toronto Charges on New High-Rise and Low-Rise Developments as of May 2018



Source: CUR based on Altuus Group Study (see Footnote 40)

In the current system, there are conflicting interests among builders, homeowners and politicians. Builders want enhanced density, as they are developing projects in a market marked by high demand and rising land costs. In contrast, homeowners have a vested interest in their neighbourhoods, and they are also concerned about the impact of development on their day-to-day living and on the value of their property. As Toronto has a ward style municipal governance system, politicians are focused on responding to local concerns, rather than responding to what is best for the municipality or the region as a whole.

The Official Plan stringently protects most neighbourhoods across Toronto (the so-called "yellowbelt") from densification. The result is inertia on land-use changes which would open up existing lower-density neighbourhoods to increased density even where these changes would be in the public good.

There are a number of implications that arise from the planning regime in Toronto:

- The amount of land open to various types of development is artificially restricted by policy;
- Regulations slow down the process by which supply can respond to demand;
- The development process favours continued growth in high-density pockets of the city;
- Over the 30-year span of the Official Plan, more than 800,000 new people will have to be accommodated in only 25% of the city's geography; and
- The Official Plan, taken strictly, also protects many fairly low-density neighbourhoods located along subway lines in the city.

The fundamental constraint to building more missing middle housing in Toronto is resistance to change by the majority of the current residents of its neighbourhoods and by its ward councillors. To have a real impact on housing affordability and to provide a great deal more family-friendly housing, Toronto must make room for creative ideas on how to use its existing housing stock, much of which is protected under the Official Plan. The case-by-case review of missing middle housing projects and the prohibition of those projects in much of Toronto results in only small amounts of such development occurring at any given time. The most efficient approach would be to loosen restrictions on land that can be developed with missing middle typologies, while still balancing those development requirements with height restrictions and design requirements that do not unnecessarily impede production.

6. What Are the Options for Generating A Lot More Missing Middle Housing in the City of Toronto?

A return to more affordable home price levels in Toronto is unlikely, barring a catastrophic downturn in the housing market. The best solution to the affordability crunch is to open up space for more affordable options, such as missing middle housing, and to provide an environment where the supply of housing can more easily respond to demand. This will require a fundamental shift in the policies of Toronto's Official Plan away from the rigid protection of existing residential neighbourhoods (the yellowbelt) to the recognition and prioritization of the creation of large numbers of missing middle housing units.

To offer a scale of housing development that would make a difference in the affordability of family-friendly types of housing, densification will have to be allowed to take place in the large parts of Toronto where residential development or redevelopment is now prohibited. This can be done by (a) rezoning to allow more infill and missing middle housing in existing neighborhoods, (b) creating missing middle communities on lower priority employment (industrial) lands, and (c) incentivizing missing middle housing on Avenues with lower property values.

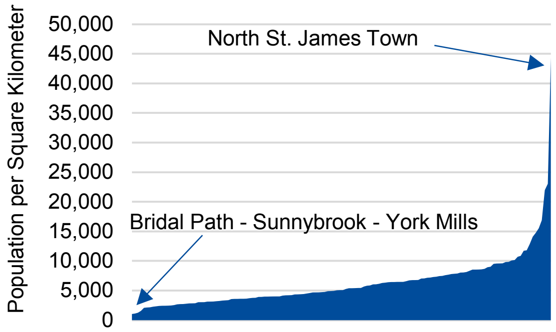
6.1 Creating New Missing Middle Housing Through the Densification of Existing Neighbourhoods

6.1.1 The Underlying Rationale for Densifying Existing Neighbourhoods

The City could accommodate all of the expected population growth over the next three decades by opening up all of Toronto's neighborhoods to more density (measured as the number of people per square kilometer), while still not materially altering the feel and structure of neighborhoods.

Spreading population growth much more broadly across Toronto could be done with a relatively small increase in overall density throughout neighbourhoods. The average density across Toronto in 2016 was close to 4,500 persons per square kilometer (11,655 per square mile). However, density across the city is not even (see Figure 14). Density in 2016 by neighborhood ranged from a low of roughly 1,000 people per square kilometer

Figure 14: Population Density Per Square Kilometer across City of Toronto Neighbourhoods, 2016



Source: CUR based on City of Toronto Open Source Data

(2,590 per square mile) in the Bridle Path-Sunnybrook-York Mills area to over 44,000 people (114,000 per square mile) in North Town St. James.

The ten neighbourhoods with the largest share of missing middle housing have an average density of 7,207 people per square kilometre (18,666 per square mile), compared to 3,343 people per square kilometre (8,658 per square mile) in the ten neighbourhoods with the largest share of single-detached homes and to 15,000 people per square kilometre (38,848 per square mile) in neighbourhoods predominately made up of apartments. Therefore, Toronto could accommodate a significant amount of growth over a 30-year period by allowing more missing middle housing in a greater number of neighbourhoods. Toronto could create room for over 200,000 units by opening up predominately single-detached neighbourhoods to missing middle construction.

Figure 15: Characteristics of Missing Middle Neighbourhoods, City of Toronto, 2016

Neighbourhood Name	Average value of owner occupied housing	% of housing stock that is missing middle	Persons per square kilometre
Top 10 Missing-Middle Neighbourhoods			
Palmerston-Little Italy/Trinity Bellwoods	$ 982,855	77	9,584
Little Portugal/Dufferin Grove	$ 751,346	55	10,558
Roncesvalles	$ 836,003	51	9,851
The Beaches	$ 1,095,980	50	6,058
Riverdale	$ 800,331	50	4,096
Wychwood	$ 906,523	48	8,541
Greenwood-Coxwell/Woodbine Corridor	$ 695,163	47	8,219
Corso Italia-Davenport/Dovercourt-Wallace Emerson-Junction/Junction Area/High Park North/Runnymede-Bloor West Village/Weston-Pelham Park	$ 727,749	47	8,216
Beechborough-Greenbrook	$ 629,103	47	3,614
City of Toronto Average	**$ 734,924**	**25**	**4,334**

Source: CUR based on City of Toronto and 2016 Census of Canada data

Many neighborhoods undoubtedly will be resistant to increased population density. It should be noted though, that some neighbourhoods with the highest proportion of missing middle housing (where this housing accounts for more than 50% of the area's housing stock) are well sought after neighborhoods with high house prices, including Trinity Bellwoods, Roncesvalles, the Beaches, Riverdale (which includes Leslieville) and the Junction (see Figure 15). Much of the missing middle housing was built decades ago.

Meanwhile, other areas where missing middle housing accounts for a bigger share of housing than single-detached and semi-attached houses are also very sought after neighbourhoods and often have a higher home value than the average across Toronto.

It is evident then the existence of missing middle housing types in a largely single-detached neighbourhood has not been adverse to the livability or the average home prices for the single-detached house residents.

If every neighbourhood did its part to help accommodate population growth, there would need only be an increase in population density of 1,200 people per square kilometer (3,100 per square mile).

6.1.2 A Proposed Guideline for Gauging Appropriate Increases in Neighbourhood Densities

Back when most of Toronto's neighbourhoods were built, household sizes were larger than today. One way of objectively assessing how much missing middle housing a specific neighbourhood could absorb is to look at the population when it was much higher than now and then calculate how many missing middle units would be required to return the population to what was once there.

The genesis for this approach is that the servicing and public amenities in the older neighbourhoods, including sewer, water and road infrastructure, parks and schools, were designed for a larger population, and therefore are in a sense underutilized. Returning population to its original level by building more missing middle housing units makes more efficient use of these amenities.

Consistent population counts by census tract are readily available back to 1971, though of course the peak population could have occurred before this date. As an illustration of this approach we examine neighbourhoods as approximated by the Census Tracts to determine their population losses, if any, and then to calculate a rough number of missing middle housing units required to bring the population back to 1971 levels.

Almost 34% of Toronto's residential neighbourhoods have seen a decline in population between 1971 and 2016 as young people left home, the birth rate fell, and older couples lost a spouse. The reduction in household size has meant these neighbourhoods experienced a 15% contraction in population combined between 1971 and 2016, or a decline of roughly 130,000 people. The overall population in Toronto has increased by 30% over this time, but most of that has been concentrated in a small area of the city (see Figure 16).

Just getting population density back up to its 1971 level in areas where it has fallen, through allowing the conversion of existing houses to multiple units or the addition of new missing middle housing, could create the space to build 54,000 units. This could be done without putting more strain on city infrastructure like schools, parks, water, and sewers than the population they were planned to accommodate.

6.1.3 Second Suites Are the Most Effective Way to Increase the Supply of Affordable Missing Middle Housing

The quickest and the most cost effective way to create a large increase in the supply of missing middle housing is to incentivize second suites in existing single-detached and semi-detached houses. A 2016 study prepared for the Region of Peel estimated a secondary suite in a house could be built for a total cost of approximately $55,000 in 2018, and

Figure 16: Top 10 Neighbourhoods with the Largest Population Decline between 1971 and 2016, City of Toronto

		Population (2016)	Population (1971)	% of Housing Stock that is Single-Detached Houses	% Change in Population between 1971 and 1996	Average Person per Household (2016)	Average person per household (1971 Estimate)	% Change in Average Household size between 1971 and 2016
1	Palmerston-Little Italy/Trinity Bellwoods	30,382	50,830	18.2	-40.2	2.3	4.1	-45.2
2	Lambton Baby Point	7,985	13,105	58.2	-39.1	2.6	3.3	-22.7
3	Playter Estates-Danforth/Danforth	17,470	24,405	41.8	-28.4	2.3	3.2	-27.2
4	Oakwood Village	21,210	29,430	46.6	-27.9	2.4	3.4	-29.7
5	Humewood-Cedarvale	14,365	18,795	32.2	-23.6	2.2	2.6	-15.2
6	Roncesvalles	14,974	19,340	24.2	-22.6	2.2	3.5	-38.5
7	Caledonia-Fairbank	9,955	12,690	57.4	-21.6	2.7	3.5	-23.2
8	Rexdale-Kipling	10,529	13,330	46.9	-21.0	2.7	3.7	-26.8
9	Alderwood	12,054	15,230	73.3	-20.9	2.6	3.6	-28.3
10	Riverdale	47,519	59,641	33.1	-20.3	2.3	3.5	-34.6
	Top 10 Neighbourhood Average	186,443	256,796	37.3	-27.4	2.4	3.5	-33.1
	City Average	2,723,706	2,090,576	33.0	30.3	2.4	3.0	-18.2

Source: CUR based on City of Toronto and 2016 and 1971 Census of Canada data generally achieve a rent of $1,000 a month. This cost is much less than the construction of non-rental units (see Figure 17).

Second suites not only create ground-related housing units, they also provide an income stream for families buying a single-detached house, making houses more affordable. They also provide more affordable rental accommodation.

While Toronto already allows secondary suites to be built throughout the city, design, construction parking standards, and fire code regulations are too onerous for the creation of many such suites. For instance, in most neighbourhoods Toronto requires that legal secondary suites have parking and two exits. Secondary suites are also subject to a development charge of up to $30,000 per unit.

Toronto lags other large Canadian cities in building second suites. Figure 18 shows that Toronto has the lowest share (12%) of duplexes in relation to the number of single-detached homes than other large Canadian cities, such as Vancouver (53%) and Montreal (45%). Toronto could add 300,000 to 400,000 secondary/additional suites to its current single- and semi-detached house stock to reach Vancouver and Montreal 2016 levels.

Other large cities are embracing financial incentives to build secondary suites. Portland has reduced development charges on secondary suites and accessory dwellings to help boost supply of affordable housing. Since Portland introduced this financial incentive, the creation of secondary suites went from 30 to over 200 units annually. In Ontario, several municipalities are providing financial incentives to promote the creation of second suites. Niagara Region, for example, provides up to $25,000 in the form of a 15-year forgivable loan if the suite meets defined eligibility requirements. If Toronto were to subsidize these units through similar incentives, it would get significantly more units per dollar spent than by subsidizing new rental apartments.

Other major cities facing affordability challenges are also making zoning allowances for new duplexes, triplexes and other multiplex housing. Vancouver has adjusted zoning to allow duplexes to be built in single-detached neighbourhoods on a trial basis.

6.1.4 How the City of Toronto Can Provide Missing Middle Housing Units through the Densification of Existing Neighbourhoods

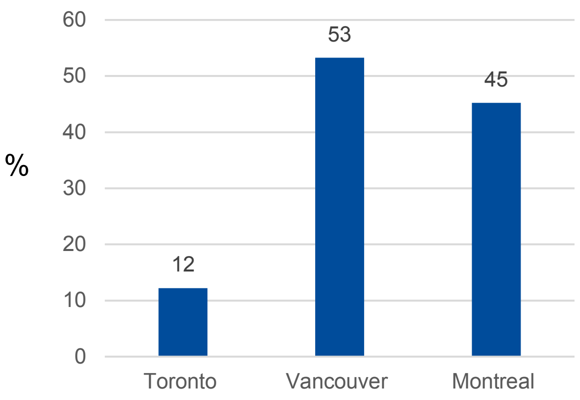
Bold action by City Council is needed to densify predominantly single-detached housing neighbourhoods if we are to create large numbers of rental and ownership missing middle housing units. Thinking and acting in a big way is how the desires of families and individuals for more affordable lower-rise housing forms will be accommodated.

Figure 17: Secondary Suite vs New Rental Suite Construction Cost Comparison, City of Toronto, 2016-2018

	Total Cost Per Unit	Monthly Rent Per Unit
New Rental Apartment Suites		
High-end Downtown	$425,680	$2,025
Median Central (Not Downtown)	$345,746	$1,675
Basic Fringe	$242,623	$1,575
Non-Profit (No Return)	$229,500 - $266,000	$1,250 - $1,325
Secondary Suites in Existing Dwellings		
Secondary Suites	$55,000	$1,000

Source: Altus Group, City of Mississauga, CMHC & N. Barry Lyon Consultants

Figure 18: Duplexes as % of Single-Detached Homes, 3 Cities, Mid-2016



Source: CUR based on 2016 Census of Canada data

A first important step is to proactively encourage and incentivize the addition of second suites in existing single-detached and semi-detached houses throughout the city. This also involves ensuring the interpretations of the building and fire codes and planning obligations, such as providing parking, do not needlessly impede the creation of second suites.

The next step is to proactively encourage the creation of new housing structures like townhouses, stacked townhouses, triplexes and quadraplexes and even low-rise apartments to be built in existing neighbourhoods. This will require Councillors to place greater priority on the needs of the city as a whole for more affordable missing middle housing units over the parochial concerns of their more vocal constituents.

Large cities across North America facing the same problem as the City of Toronto and the GTA are making moves to open up existing neighbourhoods to more missing middle housing. The poster child is the City of Minneapolis, but other municipalities, including Vancouver, Seattle and Edmonton, are in action mode as well.

In early December 2018, the Minneapolis City Council almost unanimously endorsed the upzoning of single-detached neighbourhoods to allow new duplexes and triplexes to be built in them. Other elements of the Minneapolis 2041 plan include the elimination of minimum off-street parking requirements. There had been a proposal to include fourplexes in the upzoning but this was dropped because of opposition.[38]

In Seattle, the Seattle Planning Commission released a report in latter 2018 which focused on strategies to expand housing options in single-detached zones in the city. Included was Strategy 4, emphasizing the need to retain existing houses while adding housing types to allow more density in every neighbourhood. It proposes to allow the conversion of existing houses into multiple units.[39]

Vancouver, too, is moving slowly towards densification of existing low-density neighbourhoods. The City's Making Room Housing Program aims to deliver missing middle housing units across the city. In July of last year, City Council voted to allow duplexes to be built in low-density neighbourhoods as a right. The new Council, installed in December, voted to restrict the building of duplexes to a one-year trial.[40]

To help calm NIMBYism concerns, Toronto could demonstrate how missing middle housing can be produced without changing a neighbourhood's character. Edmonton has recently launched a design competition for infill missing middle typologies.[41] The competition is meant to demonstrate that missing middle housing can be both economically feasible and can fit within a neighbourhood's character.

An interesting idea for densifying neighbourhoods on their edges is the idea of Toronto introducing Density Transition Zones into its planning as proposed by Blair Scorgie and Sean Hertel. "These [Density Transition Zones] would extend from the centre-line of Avenues and other major streets a specified distance (e.g. 100 to 200 metres) into the core of adjacent neighbourhoods."[42]

There are various ways to start the process of densification of existing low-density neighbourhoods, and knowledge of what other municipalities are doing needs to be on the radar of Toronto's Council.

6.2 Creating New Missing Middle Communities on Lower-Priority Employment Lands

The City of Toronto has more than 8,000 hectares (20,000 acres) of employment lands. Most of the development on these lands dates back to the 1970s and earlier. In 2015, Toronto's Employment Districts (now called Employment Areas by the City) accounted for 29% of all employment in the city. This employment figure includes suburban office parks like Consumers Road and Duncan

Mills, meaning the contribution of what historically has been called industrial lands is even less.

A ranking of the 23 Employment Districts by employment change between 2012 and 2015 show that a number of districts had employment declines. This is not unexpected given the structural changes occurring in Toronto's economy and the distinct shift from industrial jobs to jobs in office buildings, resulting in extraordinary employment growth in the Downtown.

There is a misguided line of thought that all employment lands must be protected from encroachment of residential use even if the proposed housing is in the form of the desired affordable missing middle housing. This line of thought implicitly assumes that all industrial lands are of the same priority to Toronto's economic development, which is not the case.

There are precedents for the conversion of older employment (industrial) areas, in whole or in part, to missing middle housing where employment has declined and businesses have relocated to the 905 regions or ceased operations. These include the former stockyards lands at Keele Avenue and St. Clair Avenue West and what are now known as Warden Woods lands at Warden Avenue and St. Clair Avenue East. These lands were re-designated from employment to regeneration, which permits a wider range of uses. There are other employment lands ripe for conversion to residential use, which the City should pursue.

6.2.1 Warden Woods: A Case Study of Creating an Affordable Missing Middle Community on Former Industrial Lands[43]

6.2.1.1 An Overview

Around the year 2000, the Warden Woods lands represented 68 hectares (168 acres) of under-performing industrial lands. This area was the southern end of a large industrial area that was home to many prominent corporations. It suffered from a number of global stresses and, as macroeconomic conditions shifted, had become less economically productive as an industrial area. Retail ventures in the area met mixed success and eventually proved to be unviable in the transitional industrial context in which they were located.

Background studies and city policy documents culminating in the 2002 Toronto Official Plan favoured the conversion of poorly-performing industrial areas to residential development. Development pressure along the Warden Avenue corridor, in combination with the potential value of under-used parking at the Warden Subway Station, prompted the city to hire a team led by PlanningAlliance to study the area comprehensively. The consultants, and later city staff and Council, supported managing, rather than resisting, the marked pressure for residential development.

The majority of the housing was built between the spring of 2006 and spring of 2008, with additional units constructed in 2011 and 2012. By May of 2008, only four years after the initial land use change, a staggering 1,100 units had been built and sold. Over half of the new development consisted of townhouses, followed by low-rise apartments and semi-detached homes.

The heads of households in Warden Woods in mid-2011 spanned the age groups from 25-34 years to 55 years and over. The ages of household heads, in combination with the data on family households with children at home, indicate that there was a range of younger and middle-aged families with children.

The housing that was built in the newly redeveloped Warden Woods area has been ground-oriented and affordable from a market perspective. Its rapid sellout indicates that there is a sizable untapped demand for this type of mainly ownership housing. This housing has also attracted a preponderance of families which have neither English nor French as their mother tongue and which had children at home.

6.2.1.2 Policy Implications of Warden Woods for the City of Toronto

A separate CUR policy report outlined what the City should be doing to increase its supply of what we now call missing middle housing.[44]

It concluded that the re-designation of existing older, low-quality industrial lands to permit the development of new residential communities is a key way for the city to provide a significant quantity of market ground-oriented new housing (mainly townhouses and low-rise apartments) for families with children. For this to happen, the City through its Council needs to make a number of decisions including:

- Making the provision of ground-oriented housing for families a higher priority than the current policy of maintaining all industrial land in industrial use indefinitely even if it is lower, older, low-quality land with limited prospects for redevelopment for industrial uses;
- Accepting the reality that the city really does not need its stock of lower quality industrial land with its limited redevelopment potential in order to have a bright economic future. Office buildings are the most vital ingredient now, and will be in the future, for Toronto's economic well-being;
- Instructing staff to review the City's industrial land inventory with the purpose of identifying large land areas of 50+ hectares (124+ acres) that warrant further investigation as potential locations for new ground-oriented family communities;
- Defining criteria for identifying potential locations for redevelopment as ground-oriented family communities. The criteria could include past history, current state, and expected trends in industrial activity and employment in the area, sizes of land parcels, public or private ownership, potential for minimizing conflict with viable industrial operations, adjacency of existing residential neighbourhoods and available capacity in community facilities such as schools, community centres, recreation facilities and parks; and
- Using the planning process for the Warden Woods community as a guide for the development of comparable new communities, including measures such as buffering to minimize conflicts with industrial uses that desire to remain. It is very important, in order to keep the underlying land values consistent with affordable forms of lower density homes, that higher-density apartments not be allowed.

In this way, the City can build on the experience of the Warden Woods community and provide a significant amount of accommodation in market townhouses, semi-detached homes and low-rise apartments which is affordable to a range of families with children at home or families planning to have children.

6.2.2 A Preliminary Analysis to Identify Employment Districts with Lower Priority Lands

We examined Toronto's Employment Areas (called Employment Districts before 2016), and ranked them based on a number of criteria with the goal of pinpointing the districts that could have potential in whole or in part for redevelopment for missing middle housing. This analysis should be regarded as indicative rather than definitive, given we are using data from a 2012 report prepared for the City by a consortium led by Malone Given Parsons.[45] The appendix contains statistics on the various Employment Districts and Employment Areas that were not part of an Employment District for the years 2001 and 2011.

Districts have been ranked from least viable to most viable based upon a combined ranking of the following variables with least viable being measured by the following variables:

- The smaller the number of establishments in 2011
- The larger the percent drop in establishments between 2001 and 2011
- The larger the percentage of total land area vacant in 2011
- The smaller the number of employees in 2011
- The larger the decline in employment between 2001 and 2011
- The higher the building space vacancy rate in 2011
- The lower the ratio of the square footage of building floor space to land area in 2011
- The smaller the increase in total assessment growth between 2001 and 2011
- The smaller the ratio of assessment to the land area in 2011

The variables are limited to those available in the aforementioned study. Each variable is ranked and then summed for each Employment District. The details are included in Appendix B (see Figure 19 for the rankings of the employment areas).

Let us take a look at the profiles of the 5 least viable employment areas based on the analysis in Appendix B, which could be all or in part candidates for possible conversion to residential uses.

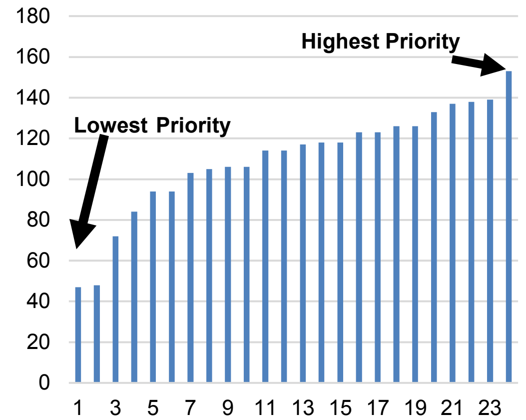
#1 South East Scarborough

The South-East Scarborough Employment District contains 245 acres. It ranked lowest or among the bottom three in fewest number of establishments and employment, lowest total assessment per acre, second lowest ratio square feet of building floor space to built on land area, and the largest percentage decline of establishments. While the percentage of vacant land at the median value and the percentage change in total assessment between 2001 and 2011 were positives, that did not prevent this employment area from being ranked as the least viable Employment District in Toronto.

#2 Weston Road/Junction

The Weston Road/Junction Employment District contains 146 acres. It ranked lowest or among the bottom three in fewest number of establishments and employment, lowest total assessment per acre, the largest percentage decline of establishments,

Figure 19: Employment Districts' Sum of Rankings From Least Viable to Most Viable, City of Toronto, Mid-2011



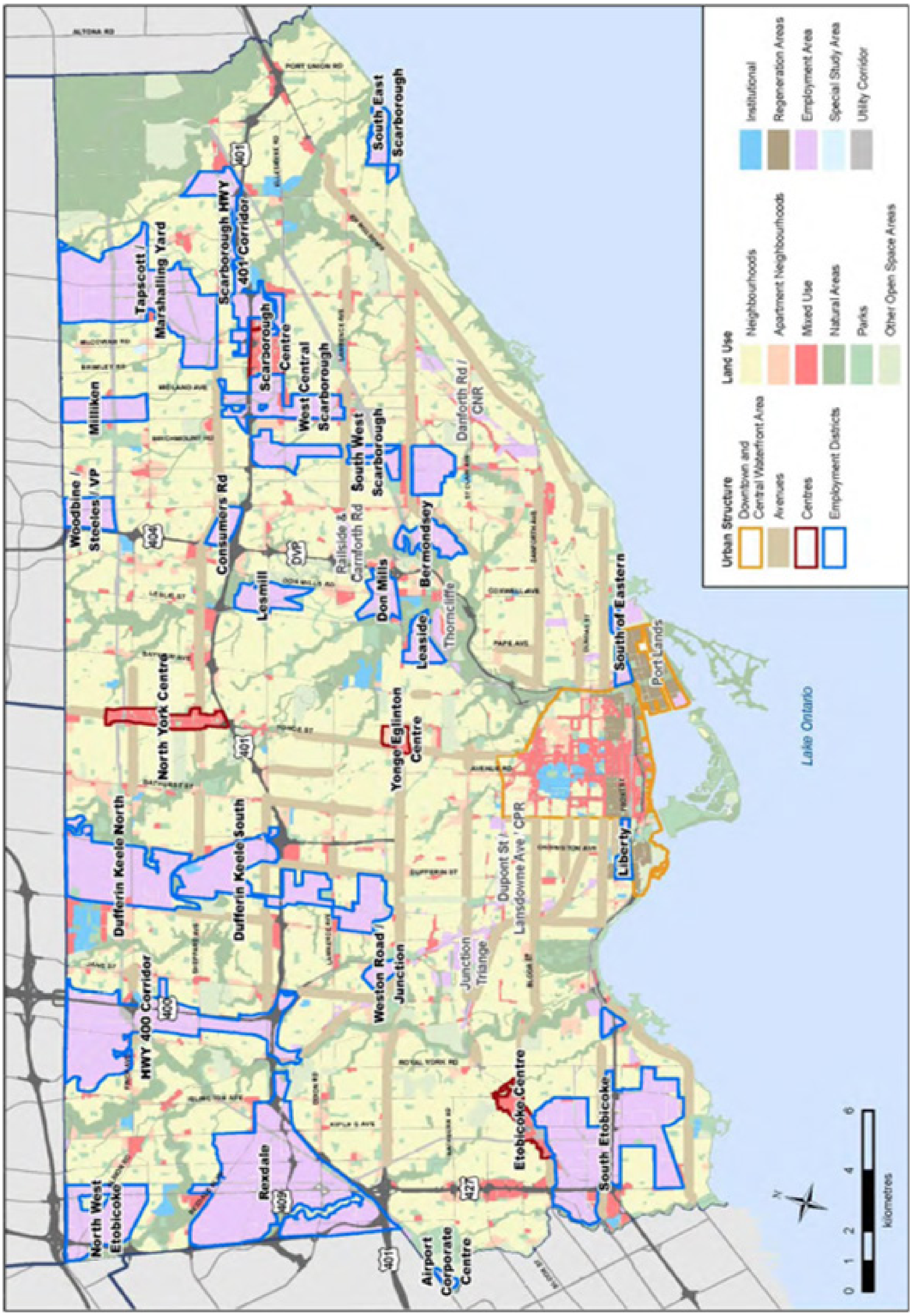
Source: CUR analysis on 2011 MGP

1 Weston Road/ Junction	**2** South East Scarborough	**3** Danforth Road/CNR*	**4** Rexdale
5 South of Eastern	**6** Airport Corporate Centre	**7** South West Scarborough	**8** West Central Scarborough
9 Milliken	**10** North-West Etobicoke	**11** Junction*	**12** Railside and Carnforth Road
13 Avenues*	**14** Leaside	**15** Tapscott/ Marshalling Yard	**16** South Etobicoke
17 Bermondsey	**18** Scarborough Highway 401 Corridor	**19** Dufferin-Keele South	**20** Lansdowne Ave/ Dupont St/ CPR*
21 Thorncliffe*	**22** Dufferin-Keele North	**23** Highway 400 Corridor	**24** Liberty

*Employment Areas Outside of Employment Districts
Source: Malone Given Parsons (2012)

See Figure 20 for the geographic location of these districts across Toronto.

Figure 20: Map of Employment Districts in the City of Toronto



Source: City of Toronto Official Plan, 2006 employment, and in total assessment between 2001 and 2011. Having a vacancy rate in the middle of the pack and a high building area/land area ratio did not prevent this Employment District being ranked as the second least viable Employment District in Toronto.

#3 The Danforth Road/CNR

The Danforth Road/CNR employment area is outside of an Employment District and contains 243 acres. It had the 5th lowest number of employees and had the 3rd fastest decline in employees between 2001 and 2011. It also had the 5th high building space vacancy rate and the 4th smallest total assessment per acre of total land in 2011. This lack-luster performance makes it #3 in our ranking of Toronto employment areas by viability.

#4 Rexdale

The Rexdale Employment District contains 243 acres. It ranked low in our criteria as it had the highest building space vacancy rate of all the 24 employment areas examined. It also had the 4th lowest increase in total assessment between 2001and 2011, and the 5th largest decline in employees between 2001 and 2011. The high ranking for number of establishments and number of employees in 2011suggests this is an established, productive employment area, however, the other metrics makes it clear that this narrative was changing, at least in part of the area.

#5 South of Eastern

The South of Eastern Employment District contains 171 acres. The story for South of Eastern is one in decline of numbers of establishments and employees, and it was 2nd in percentage declines in those two variables. Businesses and employment were moving out of South of Eastern Employment District. The area was also characterized by less building space equipped with a low building vacancy space, meaning it does not have the structures to support business and employment. These offsetting features result in the South of Eastern Employment District being ranked at #5 in terms of viability.

The ranking analysis should be refined and updated to include recent data before it can be definitely concluded that these five Employment Districts are candidates for potential redevelopment, either in full or in part, for residential use.

6.3 Creating Missing Middle Housing on the Avenues

6.3.1 Mid-Density Housing Activity on the Avenues

The provision of missing middle housing does not appear to be on the radar of municipal planners with the City of Toronto. Their development bulleting from July 2018 makes no mention of missing middle housing developments in the city.[46] The report does provide a summary, however, of development activity for mid-rise residential development (development projects for which the tallest proposed building is between 5 and 11 storeys) in various areas, including arterial roads designated as Avenues.

Some highlights from the report as it pertains to the Avenues:

- The Avenues are important corridors along major streets well serviced by transit and which are expected to develop incrementally over time;
- There are 81,501 units in the development pipeline projected for the Avenues;
- There are a number of 1,000+ unit projects projected for the Avenues, with multiple phases active and under review;
- Nearly half of the proposed mid-rise projects in the city are along the Avenues;
- Mid-rise projects already built are concentrated in Downtown, along Yonge Street and along the Sheppard Corridor – more recent mid-rise proposals are more dispersed;

- The Official Plan calls for Avenue studies to facilitate and shape development along the Avenues. To date, 18 Avenue studies have been completed, resulting in by-laws covering 16% of the land parcels associated with the Avenues;
- The average size of mid-rise projects proposed on the Avenues with Avenue by-laws currently in force is 110 units versus 84 units on the Avenues without these by-laws; and
- Land parcels on Avenues with these by-laws already in force are attracting more mid-rise residential development over time.

6.3.2 The Financial Feasibility of Mid-Rise Developments Are Sketchy for Avenue Sites Not Near the Downtown or a Subway

There are reasons for the focus on mid-rise rather than missing middle housing on the Avenues: mid-rise development is more likely to be economically viable and profitable than missing middle development along these corridors. In this regard, a financial analysis of the development scenarios for six redevelopment sites on Avenues in Toronto conducted by N. Barry Lyon Consultants Limited in 2012 provides some interesting insights into the feasibility of the mid-rise residential redevelopment of Avenue sites (mid-rise is defined in that study as buildings from 3 to 11 storeys):[47]

- Looking at redevelopment activity, the patterns of investment is strongest closest to the Downtown core and along major subway lines, where accessibility, services, employment, and opportunities for entertainment and socialization are the greatest;
- Where these factors become less favourable, demand weakens, with good examples being the extremities of Kingston Road and Eglinton Avenue;
- The Avenues designation has injected new life into some of Toronto's most important streets such as Queen Street, High Park, Sheppard Avenue, Yonge Street and Avenue Road;
- However, the implementation of the Avenues policies faces both pragmatic and economic challenges that have curtailed redevelopment in some areas of Toronto that would benefit the most. Lack of market demand, fragmented land ownership, insufficient lot depths and competing land uses are all factors that have discouraged redevelopment in other designated Avenues; and
- In the majority of its financial analyses the consultants found that redevelopment of the sites considered for mid-rise buildings would not be financially viable – the land value of these sites after redevelopment would not exceed the value under the existing uses.

With mid-rise housing development not being financial feasible along much of the Avenues frontages, it can be assumed that missing middle housing would not be viable either.

6.3.3 Facilitating Missing Middle Housing on the More Fringe Avenues

There are ways to strengthen the financial feasibility of the development of sites on Avenues which are some distance away from the Downtown, such as along Kingston Road east of McCowan Road in the former Scarborough. In these areas, incipient residential redevelopment is occurring, both in the form of mid-rise and missing middle (townhouses) housing. There is no question that there is a latent demand for the missing middle homes if the units are affordable. Thus the focus in these locations should be on reducing the costs of development.

A key contribution municipal planners could make in regards to these Avenues pertains to pre-zoning lengthy strips of land on both sides of the road for the development of missing middle housing and to create Density Transition Zones with adjacent municipalities.

6.4 Conclusion

A return to more affordable home price levels in Toronto is unlikely, barring a catastrophic downturn in the housing market. The best solution to the affordability crunch is to open up space for more affordable options, such as missing middle housing, and to provide an environment where the supply of housing can more easily respond to demand. This will require a fundamental shift in the policies of Toronto's Official Plan away from the rigid protection of existing residential neighbourhoods (the yellowbelt) to the prioritization of the creation of large numbers of missing middle housing units.

To offer a scale of housing development that would make a difference in the affordability of family-friendly types of housing, densification will have to be allowed to take place in the large parts of Toronto where residential development or redevelopment is now prohibited. This can be done by (a) rezoning to allow more infill and missing middle housing in existing neighborhoods, (b) creating missing middle communities on lower priority employment (industrial) lands, and (c) incentivizing missing middle housing on Avenues with lower property values.

Spreading population growth much more broadly across Toronto could be done with a relatively small increase in overall neighbourhood density. The ten neighbourhoods with the largest share of missing middle housing have an average density of 7,207 people per square kilometre (18,666 per square mile), compared to 3,343 people per square kilometre (8,658 per square mile) in the ten neighbourhoods with the largest share of single-detached homes and to 15,000 people per square kilometre (38,848 per square mile) in neighbourhoods predominately made up of apartments. Therefore, Toronto could accommodate a significant amount of growth over a 30-year period by allowing more missing middle housing in a greater number of neighbourhoods. Toronto could create room for over 200,000 units by opening up predominately single-detached neighbourhoods to missing middle construction.

Many neighborhoods undoubtedly will be resistant to increased population density. It should be noted though, that some neighbourhoods with the highest proportion of missing middle housing (where this housing accounts for more than 50% of the area's housing stock) are well sought after neighborhoods with high house prices, including Trinity Bellwoods, Roncesvalles, the Beaches, Riverdale (which includes Leslieville) and the Junction. Much of the missing middle housing was built decades ago.

Toronto's Official Plan protects most of Toronto's geographic space from development, including low-density residential neighbourhoods in population decline. The same is true for Employment Districts that are outdated and underutilized.

Policies for the City of Toronto to seriously consider in order to encourage a marked increase in the supply of more affordable missing middle homes for both purchase and rental include:

- ***Incentivizing second suites in existing single-detached and semi-detached houses as the quickest and most cost-effective way to create a large increase in the supply of missing middle housing.***

  Toronto lags behind other large Canadian cities in building second suites. Toronto has the lowest share (14%) of duplexes in relation to the number of single-detached homes in comparison to other large Canadian cities such as Vancouver (55%) and Montreal (46%). Toronto could add 300,000 to 400,000 secondary/additional suites to its current single-detached and semi-detached house stock to reach Vancouver and Montreal 2016 levels.

- ***Ultimately broadening the type of housing permitted in all residential neighbourhoods to include townhouses, stacked townhomes, duplexes, triplexes, fourplexes and other low-rise apartment style homes.***

  This could be implemented in stages as is being done in Minneapolis where the intention is to permit duplexes and triplexes to be built in existing lower density neighbourhoods. The introduction of Density Transition Zones on the edges of neighbourhoods should be considered as well.

- ***Examining older, less viable employment areas for lands that are suitable for the creation of missing middle communities and the creation of new communities.***

  With more than 8,000 hectares (20,000 acres) of employment (industrial) areas and an economy increasingly propelled by jobs in office buildings, it is reasonable to expect there are lower priority industrial lands that could be candidates for conversion to accommodate missing middle housing.

  There are precedents for the conversion of older employment (industrial) areas, in whole or in part, to missing middle housing where employment has declined and businesses have relocated to the 905 regions or ceased operations. These include the former stockyards lands at Keele Avenue and St. Clair Avenue West and what are now known as Warden Woods lands at Warden Avenue and St. Clair Avenue East.

- ***Facilitating the production of missing middle housing units by pre-zoning corridors along the portions of the Avenues where (and while) these housing forms are economically feasible.***

  There are ways to strengthen the financial feasibility of the development of sites on Avenues which are some distance away from the Downtown, such as along Kingston Road east of McCowan Road in the former Scarborough, for missing middle housing. A key contribution municipal planners could make in regards to these Avenues pertains to pre-zoning lengthy strips of land on both sides of the road for the development of missing middle housing and to create Density Transition Zones with the adjacent neighbourhoods.

We recommend that Toronto City Council establish and monitor targets for the production of missing middle types of housing in Toronto. These targets will demonstrate that Toronto is truly committed to providing a great deal of more affordable, family-friendly forms of housing as represented by missing middle housing types.

7. A Final Thought

Toronto is in a tricky situation. The past decade has spurred an intense decrease in housing affordability on the back of strong housing demand. Left to the devices of a free market, housing starts should be larger than they are now – but that is not the case. Instead the housing market in Toronto has seen supply constrained, consequently encouraging rapid increases in house prices.

Through the supply crunch, Toronto has materially underdeveloped the in-between housing type – the missing middle. The reasoning for a lack of supply in missing middle units is due to a few key factors that fall into the hands of municipal policy makers.

It is up to the City of Toronto to loosen supply-side policy so that Toronto can offer people what they want – affordable, missing middle housing.

Endnotes

1. Note that references to Toronto in the text always refer to the City of Toronto, not the larger GTA. The GTA (Toronto region) is approximated by the Toronto Census Metropolitan Area (CMA).

2. The housing stock is approximated by the number of occupied private dwelling units as counted by the Census of Canada.

3. Ground-related homes include single-detached and semi-detached houses and townhouses.

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5. Ibid, 5-6.

6. Ibid, 10.

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17. As described in housing economic theory presented by George Fallis. George Fallis, "Housing Economics." (Toronto: Butterworths, 1997), 27-48.

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19. This comes from a MoneySense article using data from a porptech company. Romana King (2015). “Good School Ratings can Add Premium to Home Prices.” MoneySense [Online]. Available: https://www.moneysense.ca/spend/real-estate/buying/good-school-ratings-can-add-premium-to-home-prices/. [July 8, 2015].

20. Based on research done by CANCEA and summarized by TREB. “Toronto Real Estate Board Market Year in Review and Outlook Report,” (2017) [Online]. Available: http://www.trebhome.com/market_news/release_market_updates/news2017/pdf/2017-MarketYearInReview.pdf

21. As described in housing economic theory. George Fallis, “Housing Economics.” (Toronto: Butterworths, 1997), 49 to 72.

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31. Calculated by CUR. The population in the City grows by almost 27,000 people per year, which equals 810,000 people over a 30-year span. The City is directing all of that growth into 25% of its geographical land space. The City is 630 square kilometres. 25% of 630 = 157.8. The density numbers come from dividing 810,000 by 157.8.

32. Combines the map from the Official Plan on Secondary Plan areas as well as the yellowbelt map. City of Toronto (2006). “Official Plan,” [Online] 1. Available: https://www.toronto.ca/wp-content/uploads/2017/11/99b3-cp-official-plan-volume-1-consolidation.pdf. For the yellowbelt

map, “Diversifying Density: Rethinking Toronto’s Yellowbelt,” 8.

33. This period was chosen as the time frame had available completion data for all neighbourhoods across the city.

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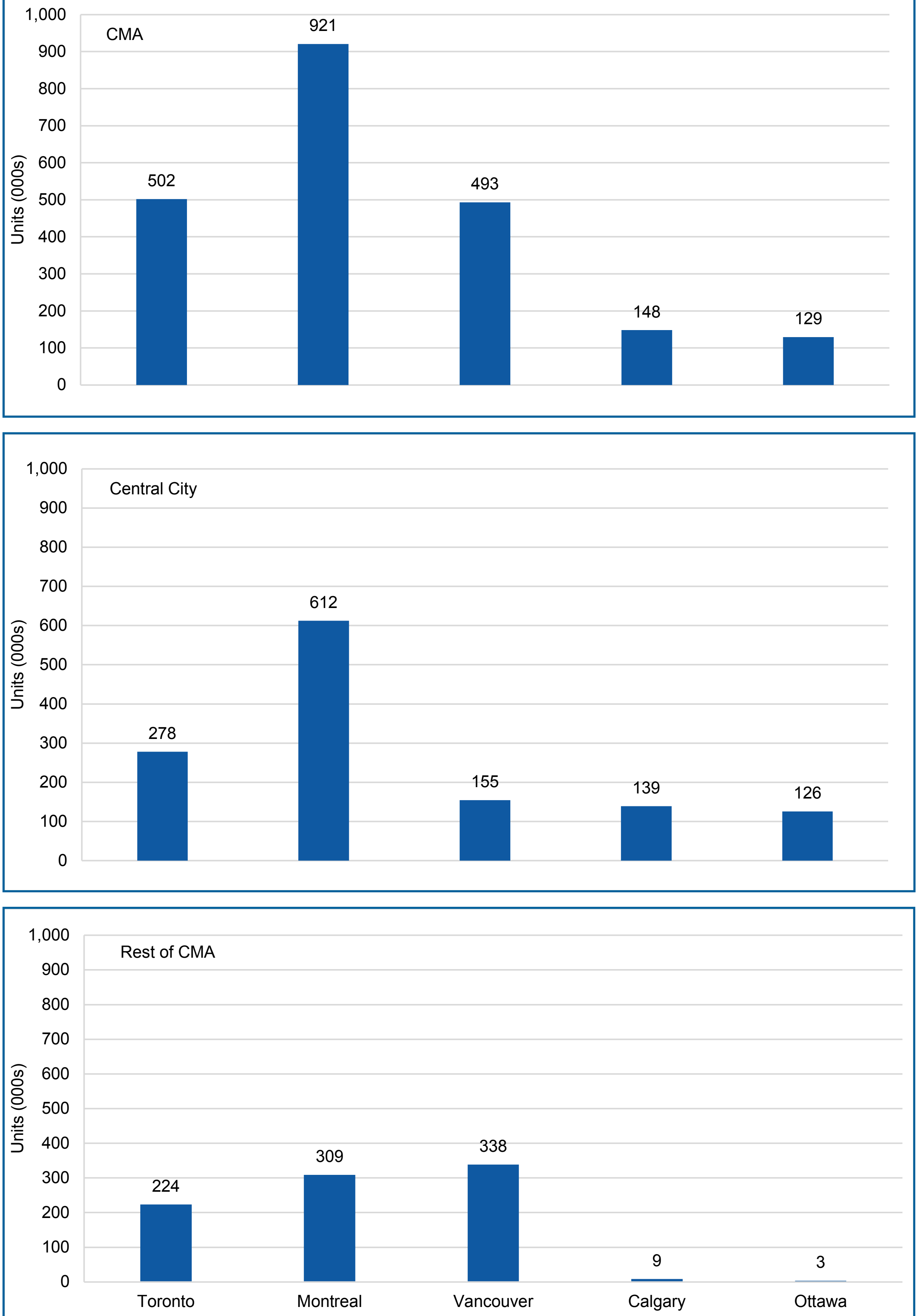
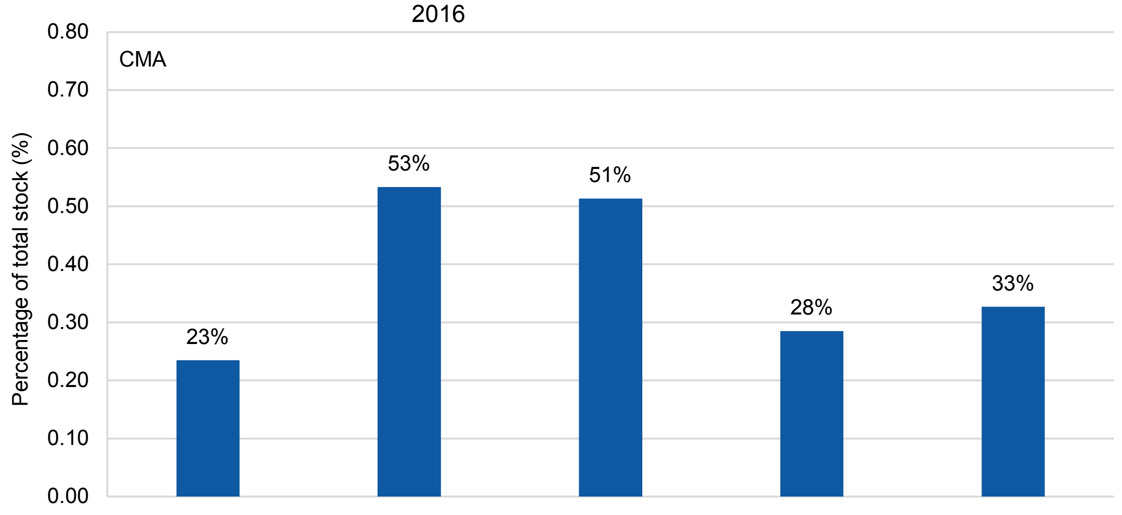
Appendix A: Role of Missing Middle Housing in the Occupied Housing Stock in Five CMAs, Mid-2016, Census of Canada

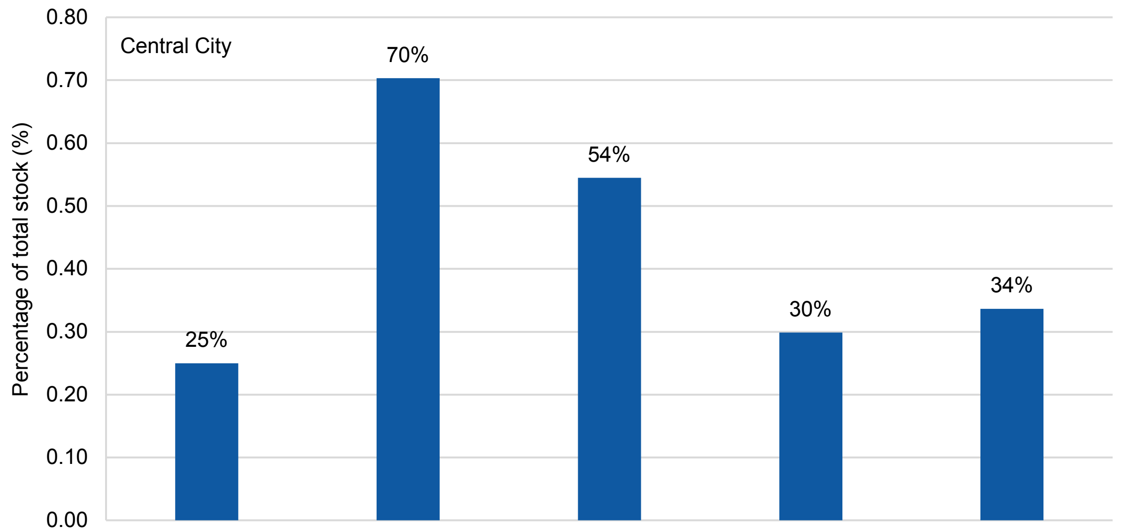
Figure A-1: Total Mid-Rise Housing Stock, Five CMAs*, Mid-2016

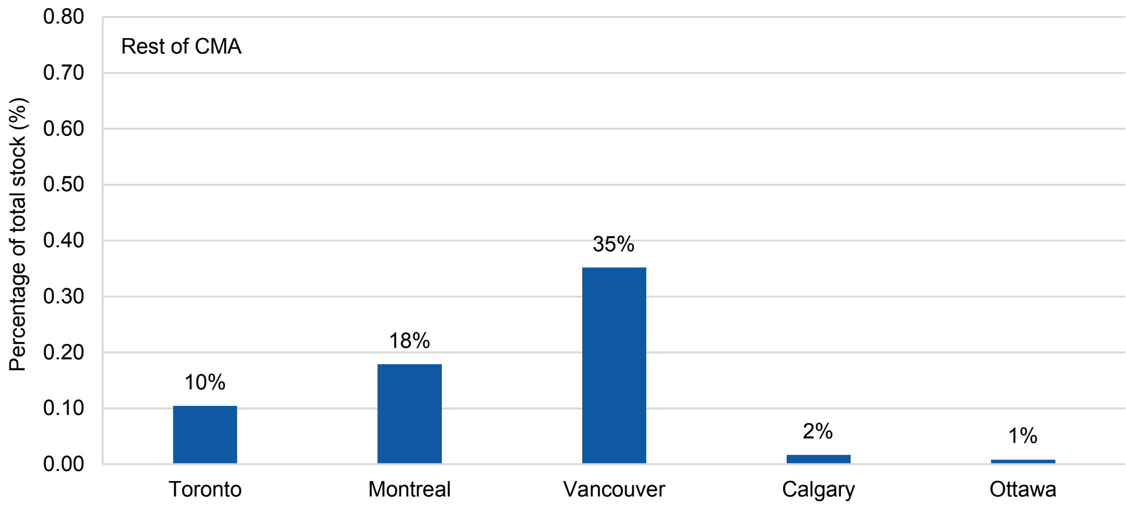


*CMA= Census Metropolitan Area
Source: CUR based on 2016 Census of Canada data

Figure A-2: Total Mid-Rise Units as a % of Total Housing Stock, Five CMAs*, Mid-2016

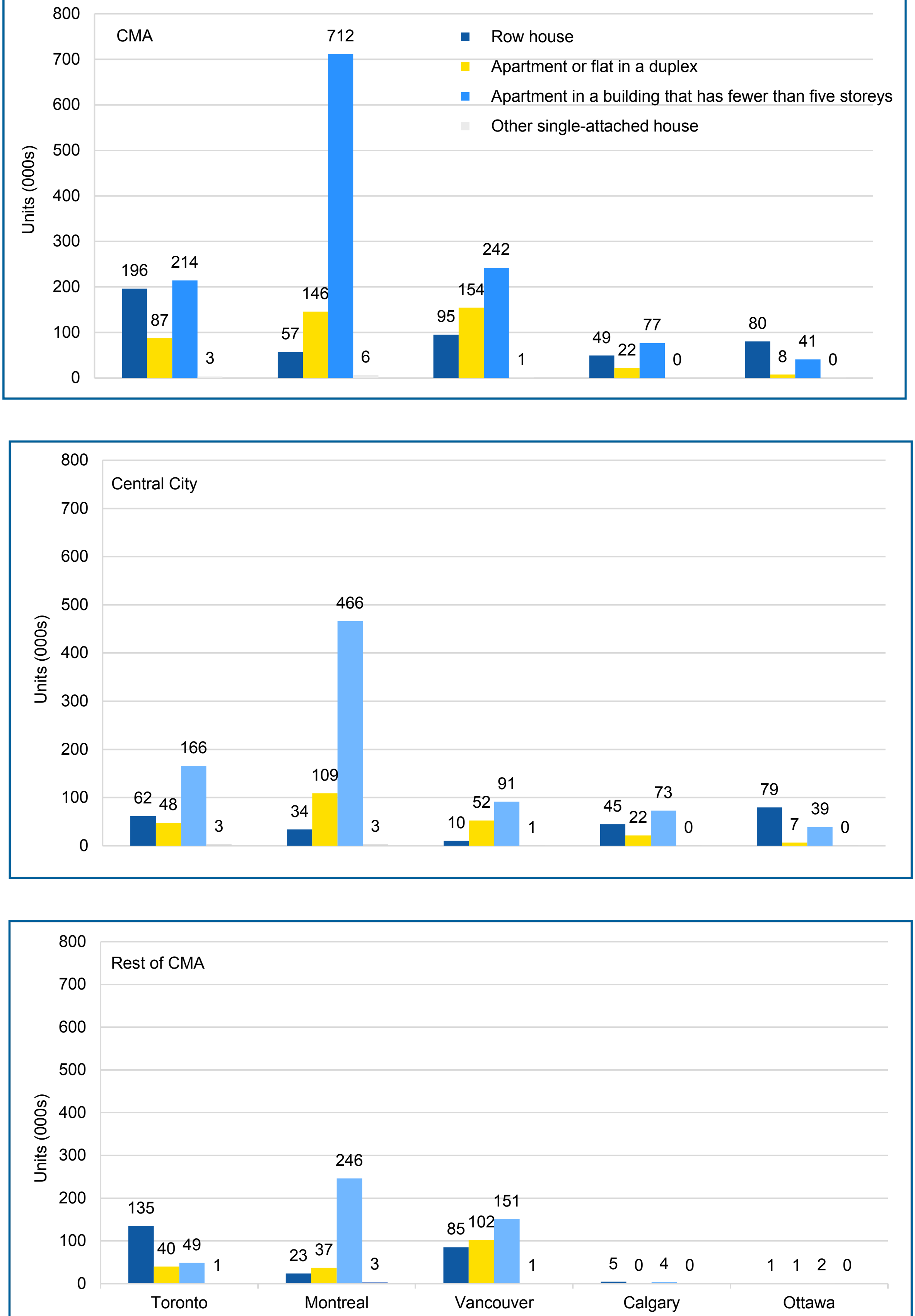






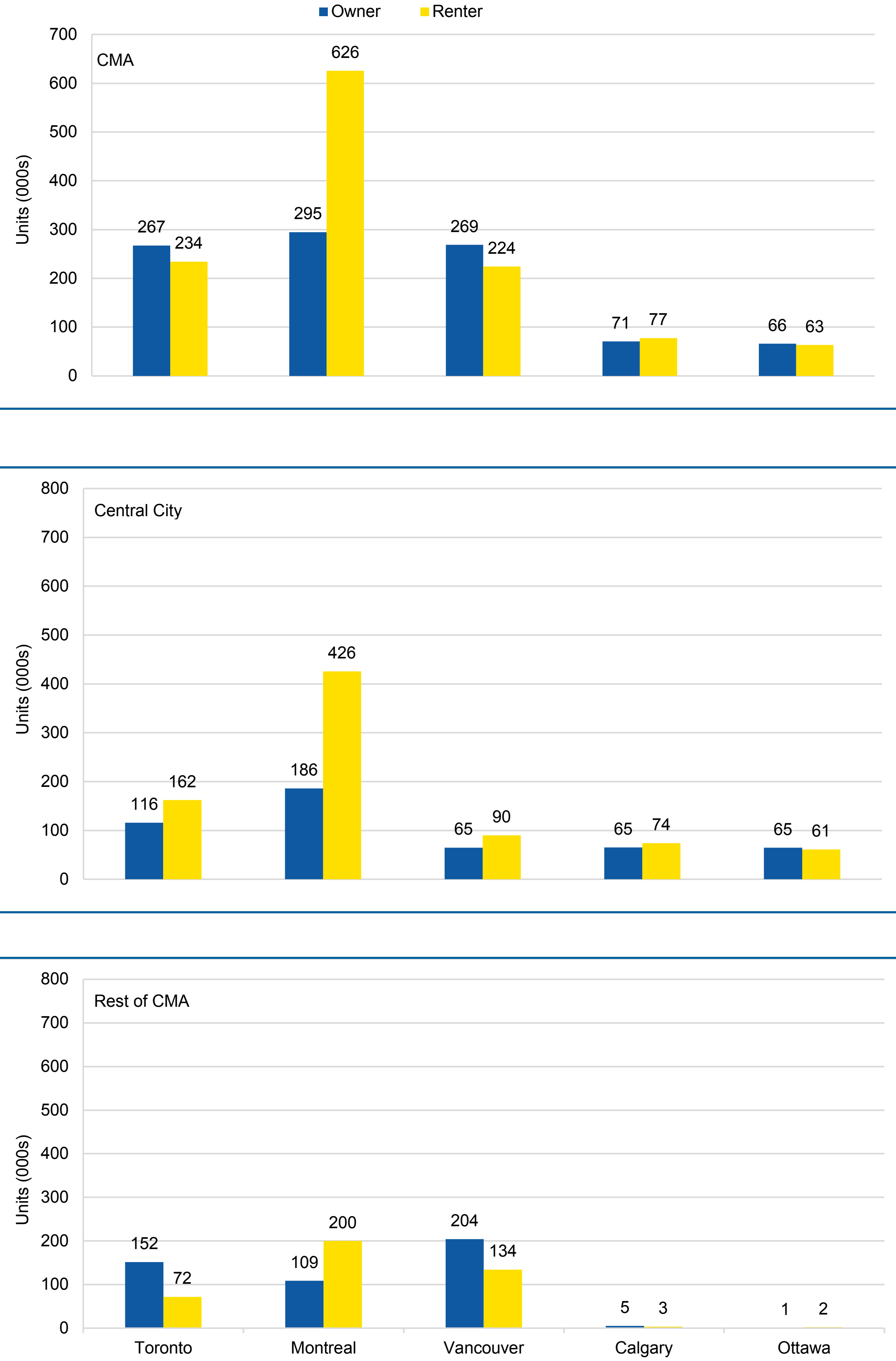
*CMA= Census Metropolitan Area
Source: CUR based on on 2016 Census of Canada data

Figure A-3: Mid-Rise Housing Stock by Type of Unit, Five CMAs*, Mid-2016



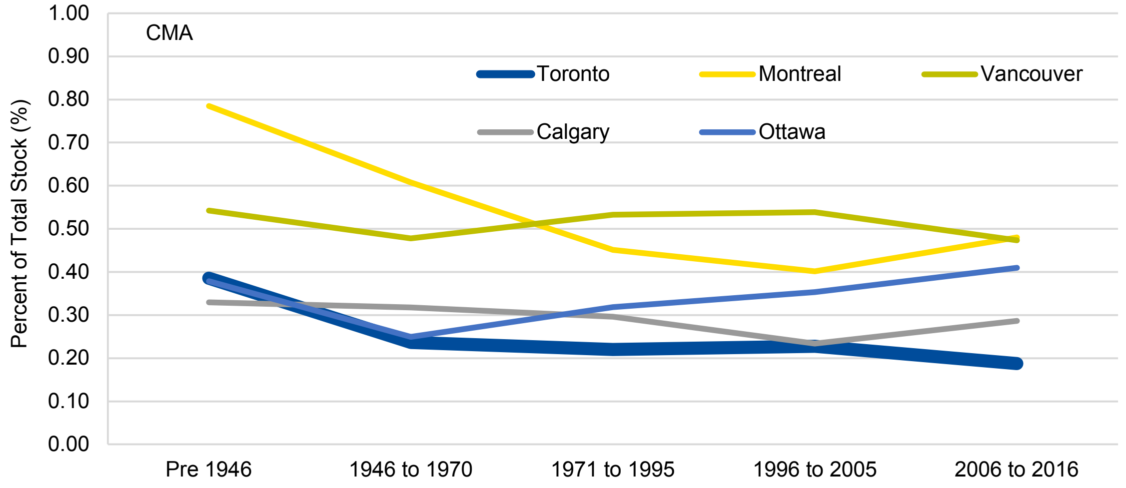
*CMA= Census Metropolitan Area
Source: CUR based on 2016 Census of Canada data

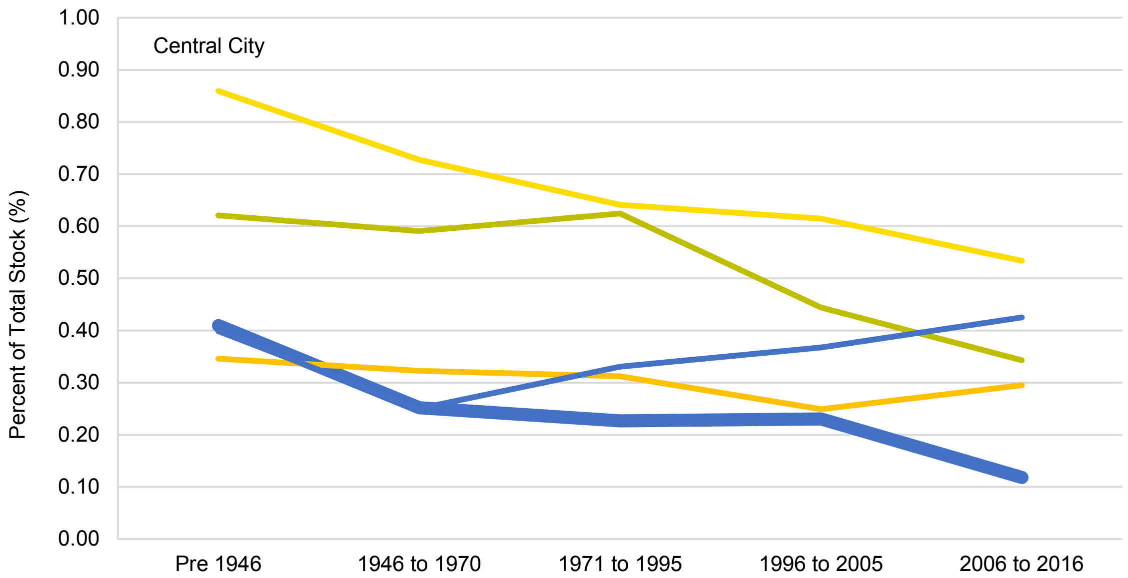
Figure A-4: Mid-Rise Housing Stock by Tenure, Five CMAs*, Mid-2016

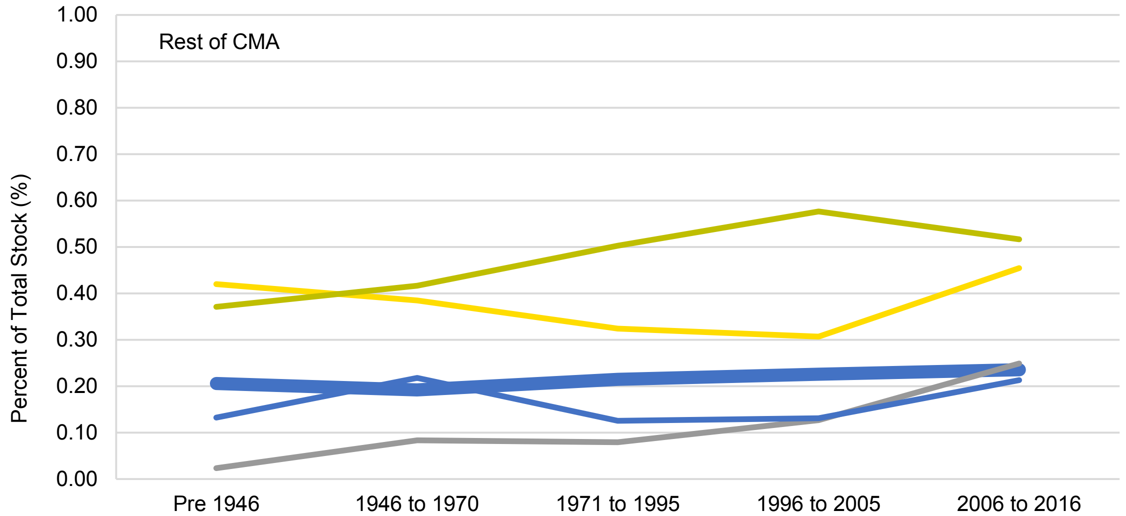


*CMA= Census Metropolitan Area
Source: CUR based on 2016 Census of Canada data

Figure A-5: Mid-Rise Housing Stock as a % of Total Stock by Period of Construction, Five CMAs*, Mid-2016

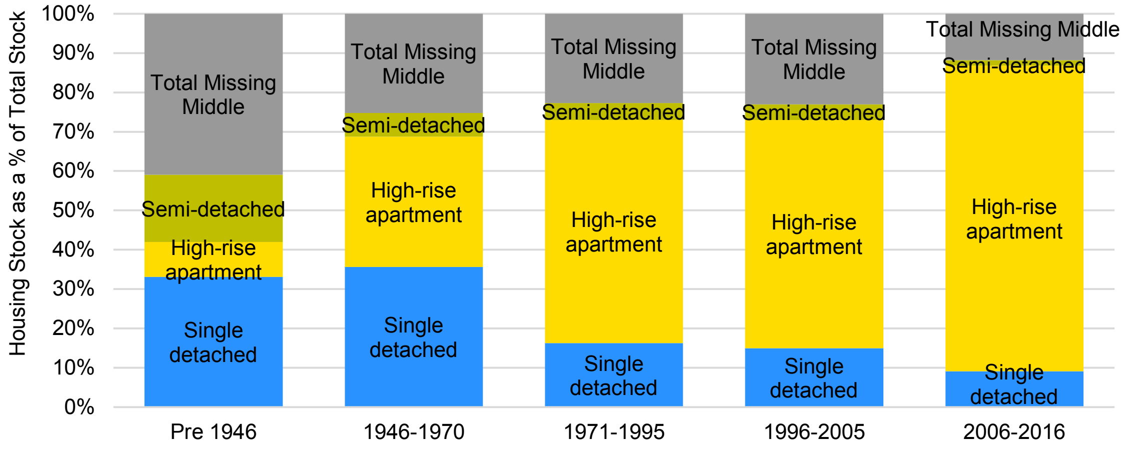






CMA= Census Metropolitan Area
Source: CUR analysis on 2016 Census of Canada data

Figure A-6: Housing Stock as a % of Total Based on Period of Contruction, City of Toronto, Mid-2016



Source: CUR analysis of 2016 Census of Canada data

Appendix B: Methodology for Ranking City of Toronto Employment Districts by Degree of Economic Viability

B.1 The Ranking Methodology

Industrial areas, as with other property types, have an economic lifecycle starting with robust viability which over time deteriorates as buildings age and the business environment shifts. Physical and economic obsolescence become more characteristic, and at some point the industrial area is ripe for rejuvenation or a change in land use.

The appendix provides a methodology for ranking Toronto's Employment Districts by the degree of their economic viability. The source of the economic and market indicators is a study done for the City of Toronto by a team of consultants headed up by Malone Given Parsons ("MGP") in 2012 ("Sustainable Competitive Advantage and Prosperity – Planning for Employment Uses in the City of Toronto"). The study contains background data by Employment District for the years 2001 and 2011.

The ranking analysis presented here should be regarded as an illustration of the type of analysis that should be undertaken to help assess which Employment District in whole or in part might be considered as candidates for a change of land use to residential based on their economic viability ranking.

The way each variable was calculated for the ranking analysis of Employment Districts from least viable to most viable:

- The fewer the number of establishments in 2011 (firms)
- The larger the percent decline in establishments between 2001 and 2011:

$$\frac{\text{2011 Total \# of establishments- 2001 Total \# of establishments}}{\text{2001 Total \# of establishments}}$$

- The larger the percentage of total land area vacant:

$$\frac{\text{Total Vacant Land (2011)}}{\text{Total Land Area (2011)}} \text{x100}$$

- The fewer the number of employees in 2011
- The larger the decline in employment between 2001 and 2011:

$$\frac{\text{2011 Total \# of employees - 2001 Total \# of employees}}{\text{2001 Total \# of employees}}$$

- The higher the building space vacancy rate
- The lower the ratio of the square footage of building floor space to built on land area in 2011:

$$\frac{\text{Industrial Inventory}}{\text{Total area-vacant land}}$$

- The percentage change in total assessment between 2001 and 2011:

$$\frac{\text{2011 Total Assessment (\$) - 2001 Total Assessment (\$)}}{\text{2001 Total Assessment (\$)}}$$

- The smaller the total assessment per acre of total land area in 2011:

$$\frac{\text{Total Assessment (\$)}}{\text{Total land (acres)}}$$

All the Employment Districts were ranked using each of these variables. The sum of their rankings of each variable were taken for a total ranking. The total ranking of Employment Districts from lowest to highest economic viability are:

- South East Scarborough
- Weston Road/Junction
- Danforth Road/CNR *
- Rexdale
- South of Eastern
- Airport Corporate Centre
- South West Scarborough
- West Central Scarborough
- Milliken
- North-West Etobicoke
- Avenues*
- Tapscott/Marshalling Yard
- South Etobicoke
- Junction*
- Railside and Carnforth Road*
- Leaside
- Scarborough 401 Corridor
- Bermondsey
- Dufferin-Keele South
- Thorncliffe*
- Dufferin-Keele North
- Highway 400 Corridor
- Landowne Road/Dupont Street/CPR*
- Liberty

Figure B.1 shows the raw values underlying the viability rankings by Employment District. Figure B. 2 shows the rankings by viability overall for the Employment Disticts.

* Employment Areas outside of Employment Districts.

Figure B.1: Employment Districts of the City of Toronto, Raw Values, 2001-2011

Employment District	The fewer the number of establishments in 2011 (firms)	The larger the percent decline in establishments between 2001 and 2011	The larger the percentage of total vacant land area	The fewer the number of employees in 2011	The larger the decline in employment between 2001 and 2011	The higher the building space vacancy rate	The lower the ratio of the square footage of building floor space to built on land area in 2011	The percentage change in total assessment between 2001 and 2011	The smaller the total assessment per acre of total land area in 2011
South East Scarborough	56	-21%	9%	916	-31%	5%	0.11	250%	$ 381,345
Weston Road/Junction	63	-10%	53%	1,653	-46%	4%	0.95	76%	$ 684,589
Danforth Rd./CNR	243	1%	4%	3,378	-40%	5%	0.29	161%	$ 778,329
Rexdale	1,386	-5%	5%	38,849	-27%	8%	0.25	120%	$ 890,434
South of Eastern	124	-10%	15%	3,915	-43%	2%	0.33	261%	$ 1,219,101
Airport Corporate	47	177%	38%	1,141	164%	8%	0.19	449%	$ 1,151,212
South West Scarborough	796	17%	11%	18,984	-10%	5%	0.31	164%	$ 1,078,326
West Central Scarborough	985	2%	2%	15,516	-17%	5%	0.31	108%	$ 1,272,017
Milliken	1,169	38%	25%	7,425	-6%	5%	0.18	172%	$ 1,247,812
North-West Etobicoke	788	20%	11%	12,767	-6%	8%	0.39	149%	$ 1,067,800
Avenues	20,157	0%	4%	165,079	3%	N/A	0.06	111%	$ 3,215,929
Tapscott/ Marshalling	2,078	20%	19%	30,745	-3%	5%	0.28	186%	$ 860,995
South Etobicoke	1,605	7%	7%	38,852	-6%	8%	0.33	164%	$ 913,554
Junction	430	18%	21%	7,150	-9%	2%	0.33	208%	$ 1,150,696
Railside and Carnforth Rd.	188	5%	2%	3,254	11%	4%	0.35	126%	$ 1,390,193
Leaside	204	-7%	16%	4,546	-16%	1%	0.54	347%	$ 1,566,259
Scarborough Highway 401	956	22%	4%	16,669	-3%	5%	0.22	161%	$ 1,421,212
Bermondsey	298	51%	4%	6,402	-10%	1%	0.41	159%	$ 972,672
Dufferin-Keele South	1,283	29%	3%	24,899	-11%	4%	0.23	248%	$ 711,883
Dufferin-Keele North	2,521	14%	4%	33,092	6%	4%	0.29	125%	$ 1,118,641
Highway 400 Corridor	2,108	14%	4%	32,435	-6%	4%	0.37	160%	$ 1,143,813
Lansdowne Rd./Dupont	404	4%	7%	6,645	7%	2%	0.53	168%	$ 1,439,576
Liberty	63	6%	21%	8,137	14%	2%	0.98	499%	$ 3,422,991

Source: CUR based on data in MGP, *Sustainable Competitive Advantage and Prosperity - Planning for Employment Uses in Toronto.*

Figure B.2: Employment Districts of the City of Toronto, Economic Viability Ranking, 2001-2011

Employment District	The fewer the number of establishments in 2011 (firms)	The larger the percent decline in establishments between 2001 and 2011	The larger the percentage of total vacant land area	The fewer the number of employees in 2011	The larger the decline in employment between 2001 and 2011	The higher the building space vacancy rate	The lower the ratio of the square footage of building floor space to built on land area in 2011	The percentage change in total assessment between 2001 and 2011	The smaller the total assessment per acre of total land area in 2011	Sum of Rankings
South East Scarborough	3	1	11	1	4	5	2	19	1	47
Weston Road/Junction	2	3	1	3	1	13	22	1	2	48
Danforth Rd./CNR	9	8	18	5	3	5	9	11	4	72
Rexdale	19	6	14	22	5	1	7	4	6	84
South of Eastern	5	2	8	7	2	21	14	20	15	94
Airport Corporate Centre	1	24	2	2	24	1	4	22	14	94
South West Scarborough	14	16	9	17	9	5	11	12	10	103
West Central Scarborough	17	9	22	15	6	5	12	2	17	105
Milliken	16	22	3	12	14	5	3	15	16	106
North-West Etobicoke	13	19	10	14	15	1	18	7	9	106
Avenues	24	7	15	24	18	N/A	1	3	22	114
Tapscott/ Marshalling Yard	21	18	6	19	16	5	8	16	5	114
South Etobicoke	20	13	12	23	13	1	15	13	7	117
Junction	10	17	5	11	11	21	13	17	13	118
Railside and Carnforth Rd.	6	11	23	4	21	13	16	6	18	118
Leaside	8	5	7	8	7	25	21	21	21	123
Scarborough Highway 401	15	20	16	16	17	5	5	10	19	123
Bermondsey	7	23	17	9	10	25	19	8	8	126
Dufferin-Keele South	18	21	21	18	8	13	6	18	3	126
Dufferin-Keele North	23	15	20	21	19	13	10	5	11	137
Highway 400 Corridor	22	14	19	20	12	13	17	9	12	138
Lansdowne Rd./Dupont	11	10	13	10	20	21	20	14	20	139
Liberty	12	12	4	13	22	21	23	23	23	153

Source: CUR based on data in Figure B1