




**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
Planning Division

<b>TO:</b>	Chair and Members Planning Committee
<b>COMMITTEE DATE:</b>	November 19, 2024
<b>SUBJECT/REPORT NO:</b>	Report Back on Rental Housing Protection Tenant Assistance Guideline (PED22091(b)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Melanie Pham (905) 546-2424 Ext. 6685
<b>SUBMITTED BY:</b>	Anita Fabac Director, Planning and Chief Planner Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the revised Tenant Relocation and Assistance Guideline, attached as Appendix “A” to Report PED22091(b) be approved, and that the General Manager of the Planning and Economic Development Department or their designate be granted the authority to make minor modifications to the Guideline if needed; and
- (b) That the Director of Licensing and By-law Services be directed to take the necessary actions to apply the same methodology for calculating rent gap compensation contained within the Tenant Relocation and Assistance Guideline, to permits issued under Renovation License and Relocation By-law No. 24-055.
- (c) That the Director of Planning and Chief Planner or their designate be directed to update and publish the amounts used as the basis for calculating rent gap compensation on an annual basis.

**EXECUTIVE SUMMARY**

On June 18, 2024, a Rental Housing Protection By-law was endorsed by Planning Committee as part of report PED21091(a), and on June 26, 2024, Rental Housing Protection By-law No. 24-109 was enacted by Council, to regulate the demolition and

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conversion of primary rental housing units. The effective date of the by-law is January 1, 2025.

In conjunction with the Rental Housing Protection By-law, various other amendments and documents were also considered by Council to enable the operation of the by-law and to align the requirements of the by-law with the City's Official Plan policies. One of these documents was a Tenant Relocation and Assistance Guideline, which was created to outline the requirements for Tenant Relocation and Assistance that will be applied consistently across all permit applications. The Guideline included direction for rent gap payments, a form of compensation intended to minimize additional costs to tenants while displaced in temporary alternative accommodations.

Concerns were raised at the June 18, 2024, Planning Committee meeting by members of the public and representatives of ACORN that the proposed methodology in the guideline would not provide a sufficient amount of compensation for tenants to obtain suitable alternative housing while displaced. In response to these concerns, approval of the guideline was deferred to allow for staff to review the issue further. Staff were directed to report back prior to the effective date of the by-law on January 1, 2025.

Subsequent to the deferral, staff have reviewed various alternative options for calculating rent gap compensation payments. In addition, a meeting was held with a representative of the Canada Mortgage and Housing Corporation (CMHC) to discuss available data sets. Based on an evaluation of various types of available data and the pros and cons of different approaches, changes to the rent compensation methodology are proposed (Recommendation "a"). The changes will provide for a level of compensation on average approximately \$538 more per month than the guidelines previously proposed, for any tenants who are displaced temporarily and must find temporary accommodations at market rents until returning to a replacement rental unit. It is staff's opinion that the changes will assist in achieving the overall goal for rent gap compensation, which is to have a rent gap payment that adequately reflects what is currently on the market in Hamilton for a similar type of unit (same number of bedrooms), so that tenants can obtain like-for-like housing in the same area while replacement units are being built. The same rent gap compensation method is proposed to be applied to permits issued under Renovation License and Relocation By-law No. 24-055 (Recommendation "b"), to ensure consistency between both permit processes.

Staff were previously directed to monitor the implementation of the Rental Housing Protection By-law and report back in two years on any changes or updates needed. The use of the Tenant Relocation and Assistance Guideline will be monitored as part of this process and the details for compensation can be further adjusted in the future if deemed appropriate, as per Council's direction.

**Alternatives for Consideration – See Page 10**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

There are no financial, staffing or legal implications for the amended Guideline.

**HISTORICAL BACKGROUND**

On June 18, 2024, Planning Committee endorsed the creation of a Rental Housing Protection By-law for the City of Hamilton, to regulate the demolition and conversion of rental housing units, as part of a strategy to strengthen protections for existing rental housing. The by-law was enacted on June 26, 2024, with an effective date of January 1, 2025.

In conjunction with the passing of the by-law, other documents, along with various Official Plan amendments were also approved, to enable the operation of the by-law and to align the requirements of the by-law with the City’s Official Plan policies. One of these documents was a Tenant Relocation and Assistance Guideline, which was created to outline the requirements for Tenant Relocation and Assistance that will be applied consistently across all applications. The Guideline included direction for rent gap compensation payments, to minimize additional costs to tenants while in temporary alternative accommodations.

With the exception of social housing units, the guideline stated that:

“Rent gap payments shall be based on the anticipated timeline for construction of the new units and the difference between a tenant’s current rent and the average market rent for vacant private rental apartments with the same number of bedrooms in the same housing market zone.”

Concerns were raised at the June 18, 2024, Planning Committee meeting by members of the public and representatives of ACORN that the use of average market rent data for vacant private rental apartments would not provide a sufficient amount of compensation for tenants to obtain suitable alternative housing while displaced.

At the subsequent Council meeting on June 26, 2024, Council approved an amended recommendation pertaining to the Tenant Relocation and Assistance Guideline.

- (g) That the **approval** of the Tenant Relocation and Assistance Guideline, attached as Appendix “ F” to Report PED22091(a) be **approved Deferred, and that the General Manager of the Planning and Economic Development or their designate be granted the authority to make minor modifications to the Guideline if needed—and that**

***Planning staff be directed to undertake further review to determine an appropriate process for calculating rent gap compensation and report back with any recommended changes prior to the effective date of the Rental Housing Protection By-law on January 1, 2025.***

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

There are no specific policy implications or legislated requirements pertaining to the provision of rent gap payments. However, Bill 97, which received royal assent on June 8, 2023, enabled the Province to establish requirements and regulations for municipalities that enact by-laws regulating the demolition and conversion of residential rental properties under section 99.1 of the *Municipal Act*. In 2023, the Ministry sought feedback through Ontario Regulatory Registry posting 23-MMAH005 on potential regulations that would apply. Staff provided comments on the Ontario Regulatory Registry posting on behalf of Council as noted in Report PED23145, approved by Planning Committee on June 13, 2023, and Council on June 21, 2023.

No regulations have been enacted by the Province at this time, but if regulations were to be enacted in the future concerning how much compensation can be required for tenants, the guideline may need to be amended. In the event the Province proceeds, staff will assess any proposed or enacted changes and report back to the Planning Committee and Council.

## **RELEVANT CONSULTATION**

One meeting was held with a representative from CMHC to discuss available datasets and data limitations. The City's Licensing and By-law Services Division was also consulted on the analysis and proposed methodology, with regards to using the same approach for the Renovation License and Relocation By-law.

In addition, staff had a follow-up meeting with Hamilton ACORN representatives to provide an update on the proposed changes to the methodology for determining rent gap compensation.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The overall goal for an approach to compensation for gaps in rent levels is to have a methodology that is consistent, easy to apply, and which establishes a rent gap payment that reflects what is currently on the market in a similar area, for a similar type of unit (same number of bedrooms). The purpose of this is to allow tenants to obtain like-for-like housing in the same area while replacement units are being built.

## **Previous Approach**

The original staff report and Tenant Relocation and Assistance Guideline based rent gap payments on the anticipated timeline for construction of new units and the difference between a tenant's current rent and the average market rent for vacant private rental apartments with the same number of bedrooms in the same housing market zone.

Obtaining zone-specific data tied to the housing zones boundaries as shown in the Urban Hamilton Official Plan's Schedule G would have required a custom data order from CMHC. City-wide, the 2023 CMHC Private Apartment Average Rents for Vacant Units were as follows:

Bachelor (Hamilton CMA average): **\$1,137**  
One Bedroom (Hamilton CMA average): **\$1,385**  
Two Bedroom (Hamilton CMA average): **\$1,755**  
Three Bedroom+ (Hamilton CMA average): **\$1,957**

It should be noted, for bachelor and three bedroom units, CMHC has suppressed data for many of the individual CMHC zones. Also, reliability for bachelor data is noted as "use with caution", indicating this data might not be accurate.

Based on discussions with CMHC, it was confirmed that in general the data quality for one- and two-bedroom units within this dataset is high and is considered to be reliable. However, the rent amounts may be lower than the average asking rents of the broader universe of vacant units (primary and secondary combined) because most primary rental units are generally older units in older buildings, and therefore rent at a lower price.

It is important to consider, in addition to the data on rent prices, that more affordable units also generally have lower vacancy rates. This could create difficulty for tenants in finding "like for like" housing when they are evicted as a result of the demolition and/or redevelopment of all or part of an apartment building. It is also important to consider the availability of certain types of units. There are a much larger number of one-bedroom and two-bedroom rental units in the City of Hamilton than bachelor and three-bedroom units. If availability is low, tenants may have to consider more expensive rentals based on what is available on the market. As such, Planning staff are of the opinion that there is merit in looking at other options which provide greater compensation to ensure tenants can find suitable accommodations while they are displaced.

## **Review**

To assess the feasibility and appropriateness of other approaches, staff reviewed several options and had a meeting with CMHC to obtain further input. CMHC noted that overall, data on bachelor units and three-bedroom units are less available and/or reliable than one- and two-bedroom unit data, because the number of overall units in these categories are significantly lower. This was considered in the establishment of a methodology.

## **Options**

Options reviewed included:

1. Using CMHC Average Rents for buildings 2015 and newer.

These values provide a higher level of compensation, however there are limitations to the data which need to be considered. The data is only available at the Hamilton Census Metropolitan Area geography (includes Burlington and Grimsby) and are only provided for one and two bedroom unit types. Custom data was requested for the Hamilton City area, however the only value that is available at this geography is for one bedroom units.

Values – Hamilton Census Metropolitan Area:

2015+ Bachelor: data not provided

2015+ One Bedroom: \$1,812

2015+ Two Bedroom: \$2,215

2015+ Three Bedroom: data not provided

2. Basing compensation on the average market rent of units that have turned over within the last three years (of same type) within City of Hamilton.

This data does not exist and cannot be custom ordered from CMHC.

However, in 2024 CMHC started tracking a new measure, looking at the rental rates of units that have turned over in the past year. This data was only tracked for the wider Hamilton Census Metropolitan Area and only for two bedroom units, because this had the most available data.

This is a pilot, and more data may be tracked in the future, such as rental rates of turnover units of different sizes or other geographies. Although there is not enough data to use at this time, it is recommended that the City monitor the status of this pilot and report back if appropriate because this data set could

potentially form the basis for an alternative methodology for compensation calculations in the future if more data becomes available.

3. Basing compensation on Secondary Rental Market averages.

These numbers are significantly higher than rents for vacant units on the primary rental market. Using this data would provide the highest amount of compensation for tenants, however, since it is solely based on secondary units, it is not a good comparison of “like for like” units. Secondary rental units often may be newer (i.e. new build condominium units purchased by individual investors with the intent of renting out the condominium unit) and may provide additional amenities or other features, which factor into the price difference. Numbers are also only available at the Hamilton Census Metropolitan Area geography and are sometimes not available for bachelor and three-bedroom unit types. It is also important to note that The Condominium Apartment Survey does not differentiate between vacant and occupied rental units when reporting average rent data.

Values:

Bachelor: not available

One Bedroom unit: \$1,917

Two Bedroom unit: \$2,373

Three Bedroom unit: \$2,751

4. Using existing data and reducing/increasing by a specific factor to create bachelor and three-bedroom rates that correspond proportionally with the average one- and two-bedroom rents for buildings 2015 and newer.

Where bachelor and three-bedroom unit information are not consistently available or reliable, using the average rents for buildings 2015 and newer was considered in conjunction with another method to establish values for bachelor and three-bedroom units, which are not available in the current data set.

One method of estimating values considered looking at the average difference in rents for one-bedroom and two-bedroom units between the Hamilton CMA data set for Private Apartment Average Rents for Vacant Units outlined in the original approach, and the Hamilton CMA data set for buildings built in 2015 or later. The average difference in cost could be added to the Private Apartment Average Rents for Vacant Units to set a rate for bachelor and three-bedroom units. For example, the difference in rental rates is an average of \$444 using 2023 data. This amount could also be added to the bachelor and three-bedroom unit rates in the Private Apartment Average Rents for Vacant Units.

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i.e.

Bachelor = Bachelor rate for Private Apartment Average Rents for Vacant Units (\$1,137) + Average difference in rates for one- and two-bedroom units (\$444).

Three Bedroom = Three bedroom rate for Private Apartment Average Rents for Vacant Units (\$1,957) + Average difference in rates for one- and two-bedroom units (\$444).

Values:

Bachelor = \$1,581

Three Bedroom = \$2,401

A second but similar method of estimating values reviewed by staff was to look at the percentage difference in rates between bachelor and one-bedroom units, and between two- and three-bedroom units, for different data sets, and use this to establish a “bump-up” and “bump-down” rate for three-bedroom units and bachelor units. For example, the difference in rent between two- and three-bedroom unit rents using Private Apartment Average Rents for Vacant Units data is 12%. Using Secondary Rental Market unit data, the rent difference is 16%.

Using data from commercial listing sites such as Rentals.ca was not considered as an option because this is not a public data set and these sites do not have a publicly posted methodology. Numbers can fluctuate greatly month to month based on listings, and the composition of unit types can vary greatly. Therefore, it is not recommended that these numbers be used. However, they are useful for general comparison with other CMHC data sets.

### **Recommended Methodology**

It is recommended that compensation be calculated using the CMHC Average Rents by Year of Construction, for primary rental units constructed in 2015 or later. Hamilton CMA data (includes Burlington/Grimsby) will be used, as data specific to the City of Hamilton boundary is not readily available from CMHC without a custom data order. For the Hamilton CMA, 2023 rates for one- and two-bedroom rental units are:

One Bedroom: **\$1,812**

Two Bedroom: **\$2,215**

Data on average rents for bachelor and three-bedroom units was not available for buildings 2015 and newer in 2023, therefore another method must be used to establish rates for bachelor units and three bedrooms units.



## **Bachelor Units**

There are limited numbers of bachelor units in Hamilton. CMHC estimates approximately 1,528 units overall, in comparison with approximately 16,194 one-bedroom units and 16,328 two-bedroom units. Vacancy rates are quite low for bachelor units. In 2023, vacancy rates in Hamilton for bachelor units were 1.3%. Given this, there is a limited ability to obtain like-for-like housing in the form of a bachelor unit if a tenant has to relocate. Tenants may be forced to relocate to a one-bedroom unit, which could be more costly. To account for this and ensure that enough compensation is received to obtain suitable housing, it is recommended that bachelor unit compensation be based on the one-bedroom rate, without a reduction.

## **Three Bedroom Units**

Data for three-bedroom units constructed in 2015 or newer is sometimes provided in CMHC data, but not consistently. In 2023, three-bedroom data was not available. To ensure that rates are based on data, which is regularly available, the two bedroom rate is recommended to be used, increased by a standard percentage as described below.

As noted in Option 4, the difference in rent between two- and three-bedroom unit rents using data for Private Apartment Average Rents for Vacant Units is 12%. Using data for Secondary Rental Market units, the rent difference is 16%. To establish a conservative estimate of the typical difference in rent between these unit sizes, it is proposed that a standardized increase in the two-bedroom rate of 15% be used for tenants being displaced from a three-bedroom unit, which is similar to the differences in rental rates noted in these other CMHC data sets.

Based on the recommended methodology, the rental rates for the current year which would be used to determine compensation amounts are identified in the table below. The full difference in rent between these amounts and a tenant's current rent would be required for the period of displacement where an applicant is not able to provide temporary alternative accommodations in the same area at the same rent, and a tenant has to find their own accommodations. These rates would be updated on a yearly basis following the annual release of new data from CMHC.

<b>Rent Rates Used to Calculate Compensation Rates (2023)</b>	
<b>Unit Size</b>	<b>Maximum Rate</b>
Bachelor	\$1,812
1 Bedroom	\$1,812
2 Bedroom	\$2,215
3 Bedroom+	\$2,547

The proposed methodology is recommended as the preferred approach for several reasons. The methodology is simple and easy to apply and avoids the need for custom data orders and multiple calculations. The rates are based on a data set which reflects primary rental housing, and which is consistently available. The higher rates will help to cover incremental increases in average rent levels between when permit conditions are approved and when tenants move out, which was noted as a concern by previous delegations at Planning Committee. They will also give tenants more flexibility to find a unit in their preferred neighbourhood, because there will be more price options.

### **Monitoring**

It is important to note that since the Rental Housing Protection By-law is new, the implementation of the By-law will be monitored to identify changes that may be needed to improve the process as needed. Staff were previously directed to monitor the implementation of the Rental Housing Protection By-law and report back in two years on any changes or updates needed. The use of the Tenant Relocation and Assistance Guideline will be part of this monitoring and the details for compensation can be further adjusted in the future if deemed appropriate.

### **ALTERNATIVES FOR CONSIDERATION**

1. Council could choose to maintain the original approach to calculating rent gap assistance as proposed by Appendix “F” attached to Report PED22091(a). This approach is not recommended as it does not address the concerns that were raised in the Planning Committee by members of the public.
2. Council could choose one of the other options considered in staff’s review, or a variation of one of those options. These approaches are not recommended as they are missing necessary data, may not be an accurate reflection of “like for like” rent comparisons, and do not have all the same advantages as the preferred approach.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report PED22091(b) – Tenant Relocation and Assistance Guideline

MP/mb