

**CITY OF HAMILTON**

**Community Services  
Housing & Homelessness Division**

<b>TO:</b> Chair and Members Emergency & Community Services Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> April 20, 2011	
<b>SUBJECT/REPORT NO:</b> <b>Conversions of Rental Housing Properties to Condominiums (CS11042) (City Wide)</b> <b>(Outstanding Business List Item)</b>	
<b>SUBMITTED BY:</b> Joe-Anne Priel General Manager Community Services Department	<b>PREPARED BY:</b> David Brodati 905-546-2424 ext. 615 Bob McKnight 905-546-2424 Ext. 3728 Gillian Hendry 905-546-2424 Ext. 4818
<b>SIGNATURE:</b>	

**RECOMMENDATION:**

- (a) That the Mayor correspond with the Honourable Diane Finley, Minister responsible for Canada Mortgage and Housing Corporation and the Honourable Rick Bartolucci, Ontario Minister of Municipal Affairs and Housing, requesting renewal and expansion of the Canada-Ontario Affordable Housing Program – Rental Housing component;
- (b) That Item “R” respecting Conversions of Rental Housing Properties to Condominiums be considered complete and removed from the Emergency and Community Services Outstanding Business List.

**EXECUTIVE SUMMARY**

At the September 8, 2010 Emergency and Community Services (E&CS) Committee meeting, a motion was passed directing staff to review the loss of rental housing to

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condominium conversions, in consultation with the Solutions to Housing Action Committee, the Affordable Housing Flagship and other affordable housing partners and report back to the E&CS Committee.

Generally, the community based stakeholders agreed that protection of the supply of rental housing is important, given the lack of new rental housing. There was consensus that the existing policy framework through the City's Official Plan was sufficient in protecting affordable rental housing to help ensure a balanced rental market.

A number of stakeholders noted the role that Canada-Ontario Affordable Housing Program (COAHP) played in contributing to new rental housing supply and offsetting rental housing loss due to condominium conversion. They would like to see COAHP extended past its March 31, 2011 sunset date.

The City has rental housing protection policies to address condominium conversion applications in the City of Hamilton Official Plan and in the new Urban Hamilton Official Plan. Converting rental housing to condominiums can meet other City goals such as affordable homeownership opportunities, neighbourhood revitalization, replacement of aging housing stock and residential intensification.

The City has experienced a net loss of 758 rental units since 2001, which represents 1.2% of the rental housing stock in Hamilton. 1489 units were approved for condominium conversion, however, 731 additional units were added under the COAHP.

The new Urban Hamilton Official Plan sets a target of 629 new rental housing units annually to meet projected growth in rental housing demand. The target is based on population and household growth projections to the year 2031. This annual target is not being achieved, and any loss of rental housing to condominium conversion will compound this deficit.

There has been little privately-initiated unsubsidized purpose-built rental housing construction in Hamilton in the last two decades. Most of the rental housing developed in the last 10 years has been built under COAHP. Since 2003, 14 rental projects representing 731 units have been built under COAHP. Proponents received capital grants from senior levels of government and waivers for development charges and parkland dedication fee in return for affordable rents.

Housing and Homelessness Division and Planning and Economic Development Department staff will continue to monitor condominium conversion application activity to assess ongoing impacts to the rental housing stock.

Affordable rental housing will be a key theme area of the Housing and Homelessness Action Plan being developed by staff in collaboration with community stakeholders. It is expected that staff will bring a draft of the Action Plan to Council in early 2012.

***Alternatives for Consideration - Not Applicable***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS**

**Financial:** There are no financial implications for Report CS11042

**Staffing:** There are no staffing implications for Report CS11042

**Legal:** There are no legal implications for Report CS11042

**HISTORICAL BACKGROUND**

Between 2001 and June 30, 2010:

- 19 applications (520 units) for conversion of rental housing to condominiums were approved and are registered as condominiums.
- Six applications (969 units) have received draft approval for condominium but have not been registered.
- A total of 25 projects (1489 units) have been approved for condominium conversion and are registered or draft approved.
- Five applications representing 311 units are being evaluated by staff with recommendations to be brought to Planning and Economic Development Committee for consideration.

For the development of the new Urban Hamilton Official Plan, staff undertook consultations with a focus on rental housing protection. Throughout 2008 and 2009, consultations took the form of community open-houses and large stakeholder gatherings. An inter-departmental working group was established to provide advice on the development of the residential policies in the new Urban Hamilton Official Plan.

The consultation feedback is summarized as follows:

- Recognition that rental housing should be protected, particularly given the lack of purpose-built rental housing construction in recent years.

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- That converting rental housing to condominiums can have broader public benefits including affordable homeownership, neighbourhood improvement and reinvestment in the subject property.
- That the existing City of Hamilton Official Plan rental housing protection policies and criteria were largely sufficient and adequate in meeting rental housing protection objectives.

The new Urban Hamilton Official Plan was adopted by City Council in June 2009 and is presently before the Minister of Municipal Affairs and Housing for approval. It contains rental housing protection policies similar to those contained in the existing City of Hamilton Official Plan. The new rental housing production targets are updated from those contained in Keys to the Home: A Housing Strategy for Hamilton (2004).

#### **POLICY IMPLICATIONS**

There are no policy implications for Report CS11042

#### **RELEVANT CONSULTATION**

Consultations for the writing of this report took place with the following groups:

- Food and Shelter Advisory Committee;
- Tenant Advisory Committee;
- Solutions for Housing Action Committee (SHAC);
- Affordable Housing Flagship;
- The IBI group, a planning consulting firm that represents a number of applicants for condominium conversion;
- Hamilton Community Legal Clinics;
- Staff of the Planning and Economic Development Department; and,
- Staff of the Taxation Division, Corporate Services Department.

All the community based groups agreed that protection of the supply of rental housing is important, particularly given the lack of new supply of rental housing. There was consensus that the existing policy framework of the City of Hamilton Official Plan and the new Urban Hamilton Official Plan was sufficient in protecting affordable rental housing and in helping to ensure a balanced rental market.

They agreed that there should continue to be an affordable housing supply program funded by senior levels of government to help the City achieve its rental housing supply targets and offset any loss of rental housing.

Concerns were expressed about the quality of the more affordable rental housing and they were sceptical about the high vacancy rates for a higher quality yet affordable rental unit.

Proponents of condominium conversions raised a number of points relating to the benefits of converting rental housing to condominiums. In certain instances, converting to condominiums creates a favourable refinancing situation for building owners, thus allowing access to capital to undertake needed upgrades and repairs. They also noted the creation of affordable homeownership opportunities and the potential for neighbourhood re-investment and revitalization. It was noted that many units converted to condominium remain rental after the conversion.

## **ANALYSIS / RATIONALE FOR RECOMMENDATION**

Rental housing protection policies were developed in the existing City of Hamilton Official Plan and in the new Urban Hamilton Official Plan to address condominium conversion applications. This is particularly important given the lack of new purpose-built rental housing production in our community and given that Hamilton needs to produce 629 new rental units annually to meet projected growth.

### Existing Rental Housing Protection Policy and Legislative Framework

Both the existing City of Hamilton Official Plan and the new Urban Hamilton Official Plan have policies that recognize the importance of the rental housing stock and seek to protect that stock.

Section 7.11 of the City's existing Official Plan and Section 3.2.5.1 a) of the City's new Urban Official Plan identifies three conditions that must be satisfied prior to approving applications for condominium conversion. The conditions are as follows:

1. The rental vacancy rate by dwelling/structure type for the City and the respective local housing market zone has been at or above 2.0% for the preceding twenty-four months.
2. The proposed conversion will not reduce the rental vacancy rate by dwelling/structure type to below 2.0% for the City and the respective local housing market zone.

3. The existing market rent levels for the units proposed to be converted are not significantly below the average market rent levels for the City and the respective local housing market zone for rental units of a similar dwelling/structure type.

The intent of the policies is to ensure that rental housing is not lost in a “tight” rental market, i.e. when there is a low vacancy rate. Furthermore, the policies protect rental units that are “affordable”, i.e. units with rent levels significantly below the average market rent.

The new Urban Hamilton Official Plan seeks to maintain a balance between the rental and ownership housing stock. While it endeavours to protect rental housing, it recognizes that condominium conversions can, in certain instances, meet other City goals such as affordable homeownership opportunities, neighbourhood revitalization, replacement of aging housing stock and residential intensification.

In addition to policies in the Official Plans, tenants in rental units being converted to condominium have certain protections and rights under the Residential Tenancies Act (RTA). Under the RTA, tenants have the first right of refusal to purchase their units if converted to condominium. Tenants also have full security of tenure in a condominium conversion situation, i.e. they have the right to remain in their unit as renters at their current rent levels and they would continue to receive full protection under the RTA.

### Rental Housing Market

According to the 2006 Census, Hamilton has 61,645 renter households. This represents 31.8% of all households. Hamilton’s proportion of renter households compared to all households is larger than the provincial average.

The primary or purpose-built rental housing market is defined as multi-residential housing built specifically for rental purposes. The secondary rental housing market includes apartments in houses, duplexes/triplexes, and condominiums and other ownership housing that is rented out. Most of the purpose-built rental housing in Hamilton (71% or 43,740 units) is in the form of apartment buildings.

There are 32,022 purpose-built rental units (Canada Mortgage and Housing Corporation (CMHC) 2010) in Hamilton. If the number of purpose built rental units is deducted from the number of renter households reported in the 2006 Census, it is estimated that 29,623 or 48% of renter households live in units within the secondary rental housing market.

Units in the secondary rental housing market are difficult to track because they come on and off the market very quickly and there are no mechanisms to track these changes. CMHC does not provide vacancy rate, average rent and construction starts data for the secondary housing market.

According to CMHC data, rents in Hamilton are relatively affordable compared to rent levels in GTA municipalities. The average rent for all units in apartment buildings of 6+ units in Hamilton in 2010 was \$720 per month. The 2010 average rent for one-bedroom units in Hamilton was \$655 per month and the average rent for two-bedroom units was \$788 per month.

Despite little new rental housing construction in recent years, rent levels in Hamilton have stayed relatively flat. In the last five years, the average rent in Hamilton has increased 5.9% (or 1.18% annually) from a level of \$680 per month to the current average of \$720 per month. This means that households earning \$27,200 per year could afford the average rent without paying more than 30% of their gross income on rent. Even with the relative affordability of Hamilton's rental housing stock, 45% of renter households pay more than 30% of their income on rent, and 22% pay more than 50% of their income on rent, placing them at serious risk of homelessness.

A balanced rental housing market is considered as a vacancy rate of between 2% and 3%. Vacancy rates higher than this range reflect a market where there is more choice for renters, while a vacancy rate below this range is considered a "tight" market with much fewer available units to choose from. According to CMHC data, the vacancy rate for all rental units in Hamilton in 2010 was 4.2%.

Despite little new rental housing construction in recent years, the vacancy rate in Hamilton has been above 3% since 2003. The vacancy rate has remained relatively high primarily due to newly formed households tending to by-pass the rental housing market and opting for homeownership. This is due to the affordable nature of ownership housing in Hamilton (compared to GTA municipalities), strong employment numbers (until the recession), sustained low interest rates and the availability of low down payment options and assistance.

### Rental Housing Supply

The rental housing stock in Hamilton is aging. Much of it was built during the 1940's to the 1980's. Little privately initiated purpose-built housing was constructed after 1980. This is largely due to the removal of government incentives for private developers and because without government assistance, rental housing is not economically viable.

Almost all purpose-built rental housing constructed after 1980 was initiated by the not-for-profit sector through social housing programs. Social housing development funding was terminated in 1995 and little to no purpose-built rental housing was constructed in Hamilton until the early 2000's. Since 2003, 731 rental housing units have been developed under COAHP. However, that will not continue beyond March 31, 2011.

When considering the 1489 units approved for condominium conversion in the last 10 years and the 731 units created under the COAHP, the City has experienced a net loss

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of 758 rental units since 2001 which represents only 1.2% of the overall rental housing stock in Hamilton.

This net loss amount assumes all the units converted to condominium are no longer rented out to tenants, which is not likely the case as condominiums that are rented tend to be a significant source of supply in the secondary rental housing market.

The City's new Urban Hamilton Official Plan sets a target of 629 new rental housing units annually to meet projected growth in rental housing demand. This target is based on population and household growth projections to the year 2031. This annual target is not being achieved, and any loss of rental housing to condominium conversion will further compound this deficit.

A significant portion (48%) of rental housing supply comes from the "secondary" rental housing market. These are units that are not considered "purpose-built" rental housing and include condominiums that are rented out, accessory apartments (apartments in houses) and single family homes and duplexes that are rented out. It is difficult to measure the secondary rental market, however, they represent an important source of rental housing opportunities.

**ALTERNATIVES FOR CONSIDERATION:**

There are no alternatives for consideration for Report CS11042.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Social Development***

- ◆ Everyone has a home they can afford that is well maintained and safe

***Healthy Community***

- ◆ Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)

**APPENDICES / SCHEDULES**

There are no appendices to Report CS11042