



Technical Assistance Panel Report | April 19, 2022

# MULTIPLEX HOUSING FINANCIAL FEASIBILITY EXERCISE

*Prepared for:* The City of Toronto

## Executive Summary

This report presents the methods, findings, and recommendations of the Urban Land Institute (ULI) Toronto's Technical Assistance Panel (TAP) financial feasibility exercise. This exercise is in support of ongoing efforts by the City of Toronto to facilitate more low-rise housing in residential neighbourhoods within the city and follows the adoption of the Multiplex Study Interim Report in November 2021 - a zoning policy study to allow as-of-right multiplexes (2-4 residential units) in residential neighbourhoods across the city.

The City Planning department invited ULI to assemble a pro bono, multi-disciplinary professional working group to consider the policy and its economic viability to trigger the creation of more residential units (including affordable and sustainable design). The TAP undertook a cost-benefit analysis on adapting or building a multiplex building from the perspective of a typical homeowner.

This Panel, chaired by Scott Wilkinson, Director, Cost Management at BTY Group, included experts in design, construction, finance, and real estate. City staff provided working materials and attended portions of the TAP to provide context and act as resources to the group.

The question (or "problem statement") to be evaluated by the group was as follows:

- Is it financially feasible for residents to create a multiplex in different neighbourhoods across Toronto by renovating an existing home or demolishing and building new?
- If yes, under what conditions?
- What would it take to do so while also delivering affordable housing or sustainable design (i.e., waiving of charges, levies, loosening of restrictions)?

Outlined on the following page, three scenarios were evaluated by the Panel with varying results.

---

## ORGANIZING COMMITTEE

**Richard Joy**  
Executive Director, ULI  
Toronto

**Alexandra Rybak**  
Director, ULI Toronto

**Linda Weichel**  
Principal, Weichel  
Consulting

**Laura Sellors**  
CEO, Frontier Design  
(Committee Co-Chair)

**Arthur Ho-Wong**  
Director and Counsel,  
Planning & Real Estate  
Development, Habitat for  
Humanity GTA (Committee  
Co-Chair)

**Susan Rideout**  
Senior Manager, Marketing  
& Pursuits, BTY Group

**Melissa Daly-Buajitti**  
Student, York University,  
Schulich School of Business  
- Master of Real Estate &  
Infrastructure

**Abbas Hararwala, CFA**  
Student, York University,  
Schulich School of Business  
- Master of Real Estate &  
Infrastructure

### Scenario 1: Maximized Building Envelope

The Panel found that for this particular vintage and housing type, converting the home into a multiplex through an interior renovation was not feasible due to lack of homeowner appetite, scope of work, diminished livability and security. An alternate design format of demolishing the existing house and building a new condominium model with three to four vertically stacked units *may* be feasible in partnership with a small-scale developer/builder.

### Scenario 2: Bungalow

The smaller square footage of most existing bungalow stock in Toronto and general lack of rear extensions led the Panel to determine that renovation of a bungalow into a multiplex is not financially feasible. It *could* be feasible in higher rent neighbourhoods with a new build that maximizes the potential of the site (constructing a vertical addition on the existing building).

### Scenario 3: Narrow Lot, 2 Or 3 Story Vertical Home

From a demand perspective, this property type is most conducive to a multiplex conversion because it would be competing directly with condos and many other low-rise rental options.

### Key Findings

While very different, the Panel was able to determine key findings across the three scenarios:

- Flexibility in size, certainty of approval process, and exemption from or reduction in Development Charges and other approval and permit fees are key to the financial feasibility of multiplex conversions and new builds.
- The cost of construction will play a big role in determining if a conversion project is feasible. Apart from site and building characteristics, construction costs will depend on homeowners' familiarity with undertaking such projects, and their ability to effectively negotiate with trades and contractors.
- Multiplex conversions will be more attractive in areas with higher rental rates.
- The feasibility of a multiplex conversion is contingent upon charging market rent.
- Adding sustainable design and construction components would add a premium to cost. Further study is recommended on how changing standards are impacting sustainable building, to what extent they would add costs to the project, and what avenues exist to offset these costs.

### PANEL CHAIR

Scott Wilkinson  
Director, Cost Management,  
BTY Group

### PANEL MEMBERS

James Burton  
Founding Partner, Percy Ellis

Jaegap Chung  
Principal, Studio JCI

Kyra Clarkson  
Principal, Kyra Clarkson  
Architect Inc. and Co-  
founder, Modernest Inc.

Andrew Dales  
Owner, Dales Consulting

Jed Kilbourn  
Director, Development  
Planning, Waterfront Toronto

David MacMillan  
Program Manager, City of  
Toronto, Environment &  
Energy Division

Ara Mamourian  
Managing Partner, The Spring  
Team Real Estate

Robin McKenna  
Associate, Studio JCI

Richard Sommer  
Director, Global Cities  
Institute, Professor of  
Architecture and Urbanism,  
University of Toronto



## Recommendations

- Encourage ownership model: While a rental model can exist, encourage an ownership model that can help first-time homebuyers purchase units in existing neighbourhoods.
- Explore homeowner developer partnership models: There is an opportunity to enable effective partnerships between small-scale developers and homeowners. This may facilitate effective risk-sharing opportunities, financial benefits and enhanced product quality.
- Development Charges: Consider waiving or reducing Development Charges and expanding the parameters of exemptions to make multiplexes more financially attractive to homeowners.
- Zoning and Approvals: The approvals process should be simplified. As is, the number of approvals and time it takes to gain permission are major barriers to overcome and where little incentive exists, given the small potential margin of profit.

## Further Considerations

Throughout the feasibility exercise, many ideas, challenges and opportunities emerged that fell outside the scope of the given problem statement. The Panel believes these items deserve further consideration and should be investigated as part of next steps in advancing low-rise housing in residential neighbourhoods.

The list includes: Entrances, Parking/Transit, Demographics and Target Market, Moving Costs, Infrastructure, Fractional Ownership, 200 vs 400 AMP service, Variances to “materially consistent with prevailing physical character”, Incentives, and Sustainable Building.

## CITY OF TORONTO SPONSORS


**Graig Uens**, Senior Planner, Office of the Chief Planner

**Melanie Melnyk**, Project Manager, Strategic Initiatives

**Philip Parker**, Senior Planner, Strategic Initiatives, Policy & Analysis

## TAP REPORT TEAM

Working with the TAP Chair, Panelists, and staff from ULI and BTY, financial analysis for the report was provided by **Abbas Hararwala**, with primary report writing provided by **Melissa Daly-Buajitti**.



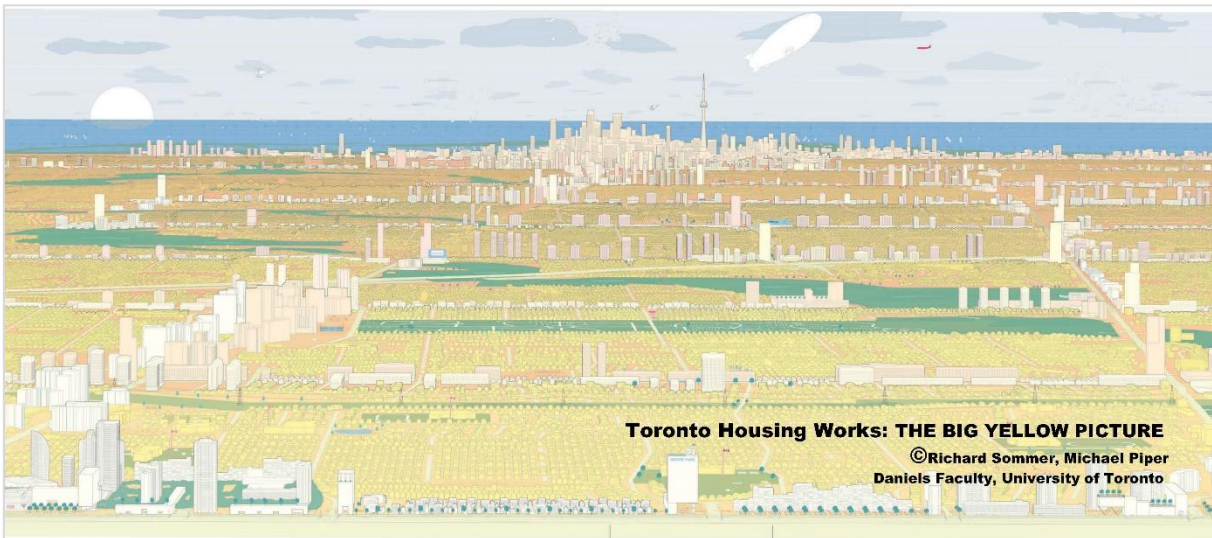
1. Background & Context	6
2. Technical Assistance Panel Conceptual Framework	9
3. Financial Analysis & Key Findings	11
4. Qualitative Scenario Analysis	16
5. Recommendations	24
6. Further Considerations	27
APPENDIX	
About ULI	30

---

# 1.BACKGROUND & CONTEXT

---

## The Challenge and Opportunity



*Panorama of the potential for gentle density in Toronto's "yellow-belt" looking toward downtown from Steeles Avenue. ©TORONTO HOUSNG WORKS, Richard Sommer, Michael Piper, et. al., Daniels Faculty, University of Toronto.*

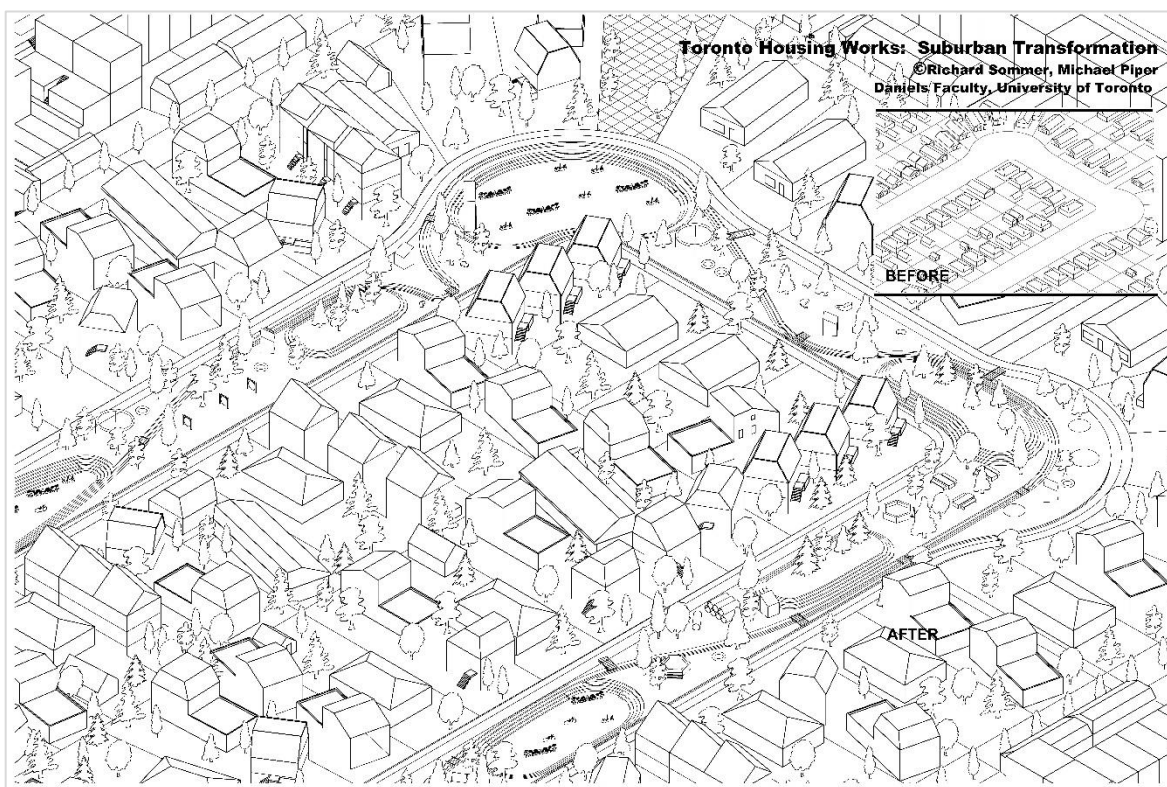
Toronto is reckoning with an escalating crisis of housing access and affordability. This has spurred a range of novel initiatives focused on rebalancing the relationship between limited housing supply and growing and changing patterns of demand. Among the sustainable solutions being debated is finding ways to open the vast lands in Toronto whose zoning is currently limited to single, detached homes.

The City of Toronto is currently investigating opportunities to amend its Official Plan policies and zoning regulations to permit gentle intensification in the areas of Toronto that are designated in the Official Plan as *Neighbourhoods*, which are informally referred to as the Yellowbelt given their yellow designation on Official Plan maps.

The Yellowbelt accounts for approximately 35% of Toronto's total land area. Although approximately 30% of the lands within the Yellowbelt are already zoned to permit multiplex housing and walk-up apartment buildings, the remaining 70% are zoned to permit only detached dwellings with one secondary suite.

These suburban-style territories constitute up to 75% of the land in Toronto with potential for intensification. These areas typically contain aging, post-war housing stock, making them highly suitable for redevelopment to address a 'missing middle' of more affordable housing at a scale between high-rise towers/slabs, and single, detached properties. These are also areas where some of our most diverse, and in-need populations reside, and where we have already invested a great deal in transit and other public infrastructure that must be better leveraged.

The opportunity to create new housing by opening up ‘yellowbelt’ lands through zoning and other regulatory changes is immense. In 2021, StatsCan reported approximately 1.2 million occupied private dwellings in the City of Toronto, of which 270,490 were single-detached houses. One of the members of the ULI Technical Assistance Panel, Jaegap Chung, estimates that adding even three units to just 18% of the single detached homes would add 146,064 total units, the equivalent of around 365 high rise towers.



*Study of how-to-transform-a-Cul-de-Sac near the Eglinton LRT at Cedarbrae, Scarborough, Toronto. ©TORONTO HOUSNG WORKS, Richard Sommer, Michael Piper, et al., Daniels Faculty, UofT.*

We do not want to minimize the political complexity and technical challenges involved with reforming the standing zoning and code regulations that would make the transformation and more economical use of these lands possible. This TAP effort is focused on testing a near-term approach being studied by the City of Toronto, developing case studies that illustrate how we might introduce multiplex housing in a limited and incremental manner.



## Work To Date | Multiplex Study

The City of Toronto recently advanced a ground-breaking zoning policy study to effectively allow as-of-right multiplexes (2-4 residential units) in residential neighbourhoods across the city as part of the Expanding Housing Options in Neighbourhoods Initiative.

The City of Toronto’s Planning and Housing Committee adopted the Multiplex Study - Interim Report in November 2021 following a staff presentation. The Multiplex Study is exploring opportunities to expand planning permissions and development standards for multiplex housing at a similar scale to residences already permitted in low-rise areas across Toronto.

## Current Focus

The Committee asked City Planning staff to undertake further community and stakeholder consultation and a technical review of the ideas presented in the report and to report back with recommended policy, zoning and process changes by the end of the second quarter of 2022.

As part of this process, City Planning invited the Urban Land Institute (ULI) Toronto to assemble a pro-bono, multi-disciplinary professional working group to evaluate the economic, planning, design and construction viability of the proposed policy, and its aims to trigger the creation of more residential units (including issues of affordability and sustainable design). Building on the City’s research around how to develop policy and planning parameters that would facilitate more low-rise housing in residential neighbourhoods, the ULI group undertook a cost-benefit analysis of adapting/reusing or building multiplex housing within three specific housing types/parcels, from the perspective of a typical homeowner and/or small-scale builder.

## Key Terms

<b>Multiplex</b>	A building, in either a detached or semi-detached form, that is located on a single lot, and contains between 2 and 4 dwelling units. Multiplex buildings are not subject to Site Plan Control.
<b>Residential Zones</b>	The City of Toronto's Zoning By-law includes five low-rise Residential zones: Residential (R), Residential Multiple (RM), Residential Detached (RD), Residential Semi-detached (RS), and Residential Townhouse (RT). At present, secondary suites are permitted in all Residential zones, but duplexes, triplexes, and fourplexes are limited to the R and RM zones.
<b>Affordable Housing</b>	Where the total monthly shelter cost (gross monthly rent, inclusive of utilities for heat, hydro, hot water and water) is at or below the lesser of one times the average City of Toronto rent, by dwelling unit type, as reported annually by the Canada Mortgage and Housing Corporation (CMHC), or 30% of the before-tax monthly income of renter households in the City of Toronto.



---

## 2. TECHNICAL ASSISTANCE PANEL CONCEPTUAL FRAMEWORK

---

### Overview

The ULI Technical Assistance Panel (TAP) is a high-profile industry program that brings together the finest expertise in the real estate, planning and development fields to collaborate on complex land use, redevelopment projects and current issues in city building.

The ULI TAP Multiplex panel, chaired by Scott Wilkinson, Director, Cost Management, BTY Group, included experts in the areas of design, construction, finance, and sales expertise from ULI Toronto's membership and beyond (listed under the Executive Summary). In addition, City staff provided working materials and attended as resources to the group.

### Problem Statement

The investigations currently being conducted by the City to facilitate the provision of more multiplex housing in Toronto's Neighbourhoods include an analysis of existing Official Plan policies and zoning regulations, Provincial planning policies, built form and building design challenges and the financial feasibility of multiplex housing development.

The TAP was assembled to assist in investigating the latter issue: the financial feasibility of multiplex housing development. The question posed to the TAP is the following:

*“Under what conditions would it be financially feasible for residents to create a multiplex in different neighbourhoods across Toronto by renovating an existing home or demolishing and building new? And what would it take to do so while also delivering affordable housing or sustainable design (i.e., waiving of charges, levies, loosening of restrictions)?”*

The work of the TAP will be used by the City to understand the financial barriers to the creation of multiplex housing in Toronto's low-rise Neighbourhoods and consider policy and regulatory amendments in response to these financial barriers to facilitate the creation of this type of housing.

---

*“Under what conditions would it be financially feasible for residents to create a multiplex in different neighbourhoods across Toronto by renovating an existing home or demolishing and building new?”*

## Methodology

To address these questions, the TAP collectively worked through the following steps over the course of a week in April 2022, including two intensive virtual workshops.

<b>Building Scenarios</b>	The City identified three types of dwellings against which to contemplate a multiplex conversion project (“building scenarios”). TAP Panelists were then organized into three teams, each of which focused on a different building scenario.
<b>Design &amp; Scope Articulation</b>	Teams began with articulating the optimal design and scope of work required to convert their building into a multiplex through an interior renovation.
<b>Market Sounding</b>	Teams gathered data to help build a proforma for each scenario. Key inputs included hard and soft costs, project timelines, financing terms, rental rates and property values.
<b>Solution Assessment</b>	Working with the proforma helped teams to assess the viability of their proposed project by comparing the cost to build against the potential income. In doing so, they also reflected on the qualitative factors impacting project feasibility (such as code requirements and approval processes).
<b>Iteration</b>	Teams explored alternative multiplex design solutions and project delivery models that could help enhance the feasibility and impact of creating this new supply of housing stock. Consideration was given to sustainable design and affordability.

---

## 3. FINANCIAL ANALYSIS

---

### How We Assessed Financial Feasibility

The financial feasibility of a multiplex conversion project was evaluated in relation to market intelligence gathered through the TAP.

<b>Acknowledging the variability of multiplex projects</b>	Each conversion project will have a unique set of characteristics and challenges based on a variety of factors (e.g., location, building type, plot specifications, etc.) These factors will further affect the cost of construction and achievable market rent for a proposed conversion project.
<b>Modelling the range of financial outcomes</b>	To account for these variations in rent and construction cost, we conducted a sensitivity analysis. The output is a return table that showcases the range of expected returns based on different inputs of rent and construction costs.
<b>Accounting for the “opportunity cost” of undertaking a multiplex conversion</b>	<p>The estimated price of the existing building was incorporated as a “notional cost” to be used as a control option and to represent the opportunity cost of the conversion project.</p> <p>Incorporating “opportunity cost” in this way addresses the fact that undertaking a multiplex conversion project would take away the opportunity from the homeowner to monetize their existing home by selling it.</p>
<b>Assessing project returns in relation to other investment opportunities</b>	<p>If a homeowner were to sell rather than convert, we can imagine that they would invest the proceeds in an alternative vehicle and have chosen a REIT to exemplify this option.</p> <p>Given the historical return of REITs is ~10%, we assume a homeowner would expect at least a 10% return on the proposed conversion project. Hence, 10% was adopted as the minimum threshold return for a homeowner to be incentivized to undertake such a conversion project.</p>

---

## Financial Feasibility Findings

Through this analysis, we determined key financial feasibility findings in the bullet points below. On the following pages, we show outputs from two scenarios that further illustrate these points.

- Flexibility in size, certainty of approval process, and exemption from or reduction in Development Charges and other approval and permit fees are keys to the financial feasibility of multiplex conversions and new builds
- The cost of construction will play a big role in determining if a conversion project is feasible. Apart from site and building characteristics, construction cost will also depend on the homeowner's familiarity with undertaking such projects and their ability to effectively negotiate with trades and contractors.
- Multiplex conversions will be more attractive in areas with higher rental rates
- The feasibility of a multiplex conversion is contingent upon charging market rent
- Adding sustainable design and construction components would add a premium to cost. Further study is recommended on how changing standards are impacting sustainable building, to what extent they would add costs to the project, and what avenues exist to offset these costs.



## Scenarios & Key Assumptions

### Scenario 1: Total Leasable Area of the Conversion Project ~5,100 Square Feet (SF)

Particulars	Min	Max
Cost of existing building (Current Sale Value)	\$2,000,000	
Net leasable area after conversion	5092 sf	
Hard Costs	\$300	\$450
Contingency Reserve	15%	
Soft Costs	20%	
Approvals & Permits	\$450,000	
Avg. monthly rental rate	\$3.50	\$4.50
Total Cost of Conversion	\$2,620,800	
Loan	\$1,849,200	
Equity Investment	\$771,600	
Estimated Value of Converted Building (Yr. 5)	\$6,433,000	

### Scenario 2: Total Leasable Area of the Conversion Project ~3,000 Square Feet (SF)

Particulars	Min	Max
Cost of existing building (Current Sale Value)	\$1,500,000	
Net leasable area after conversion	2945 sf	
Hard Costs	\$300	\$450
Contingency Reserve	15%	
Soft Costs	20%	
Approvals & Permits	\$275,000	
Avg. monthly rental rate	\$3.50	\$4.50
Total Cost of Conversion	\$1,530,500	
Loan	\$1,069,500	
Equity Investment	\$461,000	
Estimated Value of Converted Building (Yr. 5)	\$3,721,000	

## Sensitivity Analysis | Scenario 1

### Sensitivity of the Internal Rate of Return (IRR) to Changes in Hard Costs and Monthly Rental Rates

Cells highlighted in green indicate favourable parameters under which the homeowner could expect a return greater than 10% and opt to pursue the multiplex conversion project.

		Monthly Rental Rate (\$/SF)					
		4.5	4.25	4.00	3.75	3.5	
Hard Costs (\$/SF)	300	18.3%	16.2%	13.9%	11.5%	8.8%	With Development Charges (DC's) and fees for approvals & permits
	350	15.9%	13.6%	11.2%	8.7%	5.9%	
	400	13.3%	11.0%	8.5%	5.7%	2.8%	
	450	10.8%	8.3%	5.6%	2.7%	-0.4%	
			Monthly Rental Rate (\$/SF)				
		4.5	4.25	4.00	3.75	3.5	Without Development Charges (DC's) and fees for approvals & permits
Hard Costs (\$/SF)	300	22.9%	20.7%	18.3%	15.7%	13.0%	
	350	20.2%	17.9%	15.4%	12.7%	9.8%	
	400	17.5%	15.0%	12.4%	9.5%	6.4%	
	450	14.7%	12.1%	9.3%	6.3%	2.9%	

### Sensitivity of the Profit to Changes In Hard Costs and Monthly Rental Rates

		Monthly Rental Rate (\$/SF)					
		4.5	4.25	4.00	3.75	3.5	
Hard Costs (\$/SF)	300	\$3,278,701	\$2,801,346	\$2,323,991	\$1,846,636	\$1,369,281	With Development Charges (DC's) and fees for approvals & permits
	350	\$2,801,420	\$2,324,065	\$1,846,710	\$1,369,355	\$892,001	
	400	\$2,324,139	\$1,846,784	\$1,369,429	\$892,074	\$414,720	
	450	\$1,846,858	\$1,369,503	\$892,148	\$414,794	-\$62,561	
			Monthly Rental Rate (\$/SF)				
		4.5	4.25	4.00	3.75	3.5	Without Development Charges (DC's) and fees for approvals & permits
Hard Costs (\$/SF)	300	\$3,728,701	\$3,251,346	\$2,773,991	\$2,296,636	\$1,819,281	
	350	\$3,251,420	\$2,774,065	\$2,296,710	\$1,819,355	\$1,342,001	
	400	\$2,774,139	\$2,296,784	\$1,819,429	\$1,342,074	\$864,720	
	450	\$2,296,858	\$1,819,503	\$1,342,148	\$864,794	\$387,439	

## Sensitivity Analysis | Scenario 2

### Sensitivity of the Internal Rate of Return (IRR) to Changes in Hard Costs and Monthly Rental Rates

Cells highlighted in green indicate favourable parameters under which the homeowner could expect a return greater than 10% and opt to pursue the multiplex conversion project.

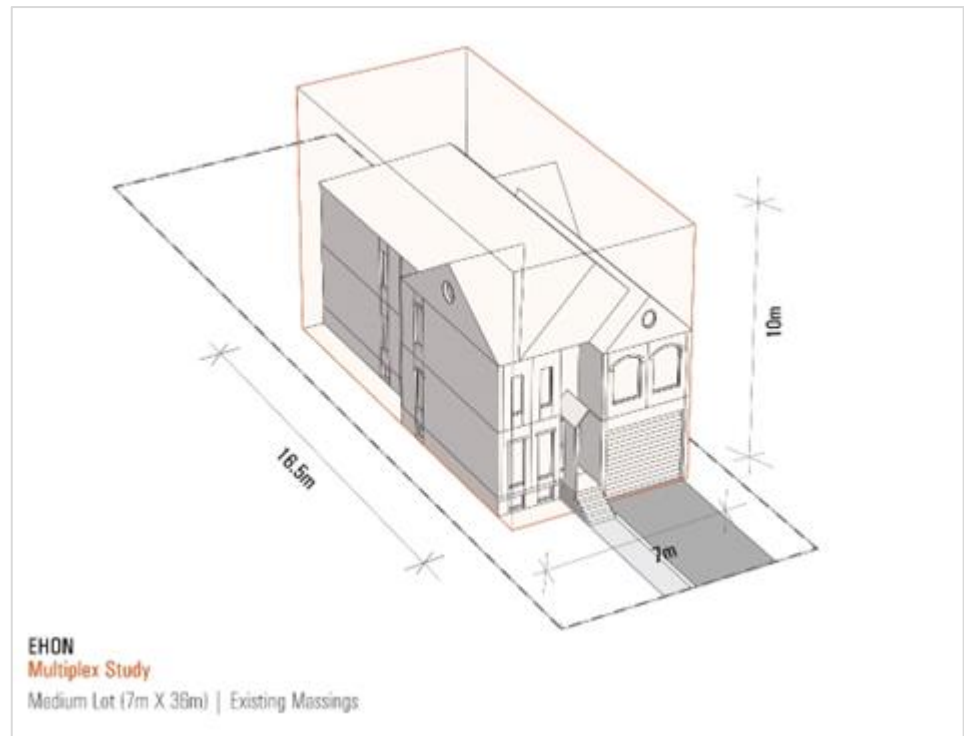
		Monthly Rental Rate (\$/SF)					
		4.5	4.25	4.00	3.75	3.5	
Hard Costs (\$/SF)	300	13.2%	11.2%	9.0%	6.8%	4.3%	With Development Charges (DC's) and fees for approvals & permits
	350	11.0%	8.9%	6.6%	4.2%	1.6%	
	400	8.7%	6.5%	4.1%	1.6%	-1.2%	
	450	6.4%	4.0%	1.5%	-1.2%	-4.2%	
		Monthly Rental Rate (\$/SF)					
		4.5	4.25	4.00	3.75	3.5	
Hard Costs (\$/SF)	300	16.9%	14.8%	12.6%	10.2%	7.7%	Without Development Charges (DC's) and fees for approvals & permits
	350	14.5%	12.3%	10.0%	7.5%	4.8%	
	400	12.1%	9.8%	7.3%	4.7%	1.8%	
	450	9.6%	7.2%	4.6%	1.7%	-1.4%	

### Sensitivity of the Profit to Changes In Hard Costs and Monthly Rental Rates

		Monthly Rental Rate (\$/SF)					
		4.5	4.25	4.00	3.75	3.5	
Hard Costs (\$/SF)	300	\$1,538,241	\$1,262,159	\$986,077	\$709,995	\$433,913	With Development Charges (DC's) and fees for approvals & permits
	350	\$1,262,202	\$986,120	\$710,038	\$433,956	\$157,873	
	400	\$986,162	\$710,080	\$433,998	\$157,916	-\$118,166	
	450	\$710,123	\$434,041	\$157,959	-\$118,123	-\$394,205	
		Monthly Rental Rate (\$/SF)					
		4.5	4.25	4.00	3.75	3.5	
Hard Costs (\$/SF)	300	\$1,813,241	\$1,537,159	\$1,261,077	\$984,995	\$708,913	Without Development Charges (DC's) and fees for approvals & permits
	350	\$1,537,202	\$1,261,120	\$985,038	\$708,956	\$432,873	
	400	\$1,261,162	\$985,080	\$708,998	\$432,916	\$156,834	
	450	\$985,123	\$709,041	\$432,959	\$156,877	-\$119,205	

## 4. QUALITATIVE SCENARIO ANALYSIS

### SCENARIO 1: Maximized Building Envelope



#### Built Form Notes

- Medium sized lot
- GFA maximizes the permissions on the lot so this would likely be more of a conversion opportunity
- Built relatively recently - since 2000
- Commonly found in North York

#### Interior Renovation Assessment

The group found that for housing of this particular vintage, type and location in the city, which is typically less than one generation old, conversion into a multiplex through an interior renovation was **not feasible**. Primary reasons for this assessment include:

##### Homeowner Appetite

This type of house is typically worth about \$2-3 million. The group's assessment was that a homeowner would sooner sell and relocate than take on a renovation/subdivision of this kind. This finding follows from the opportunity cost analysis outlined in the financial feasibility assessment for this case, but also accounts for subjective personal factors such as risk aversion.

##### Scope of Work

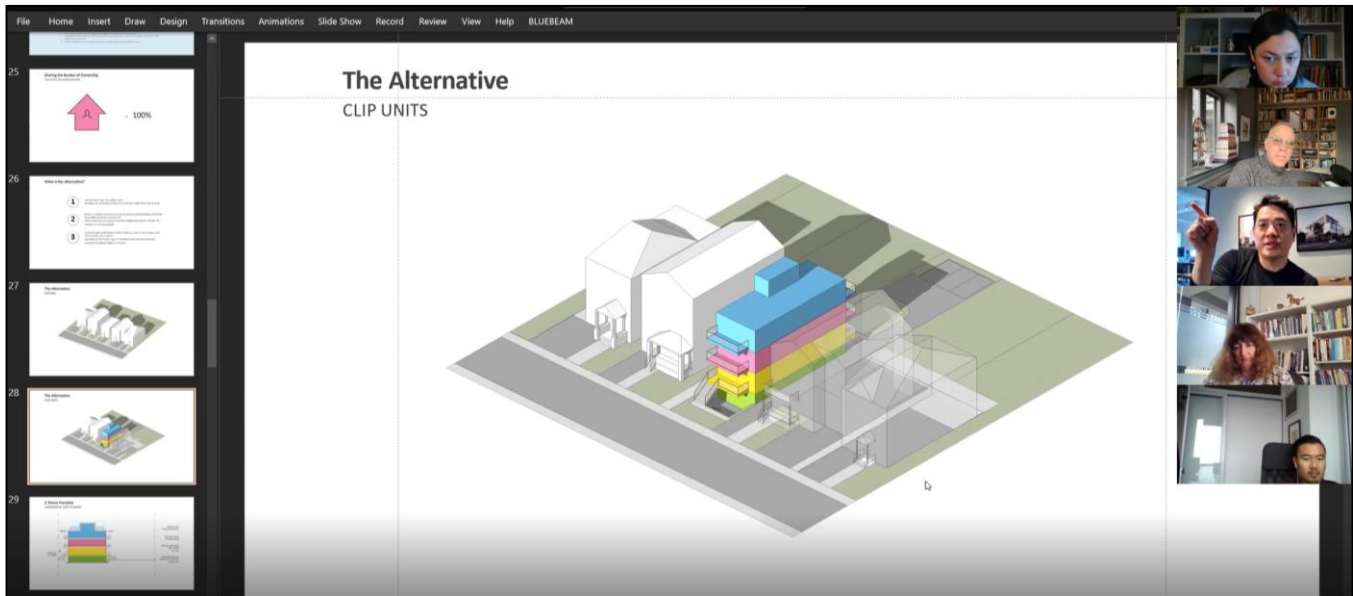
Code issues such as the need for two separate means of exit, and new fireproofing/rated barriers between units, make the required upgrades untenable.



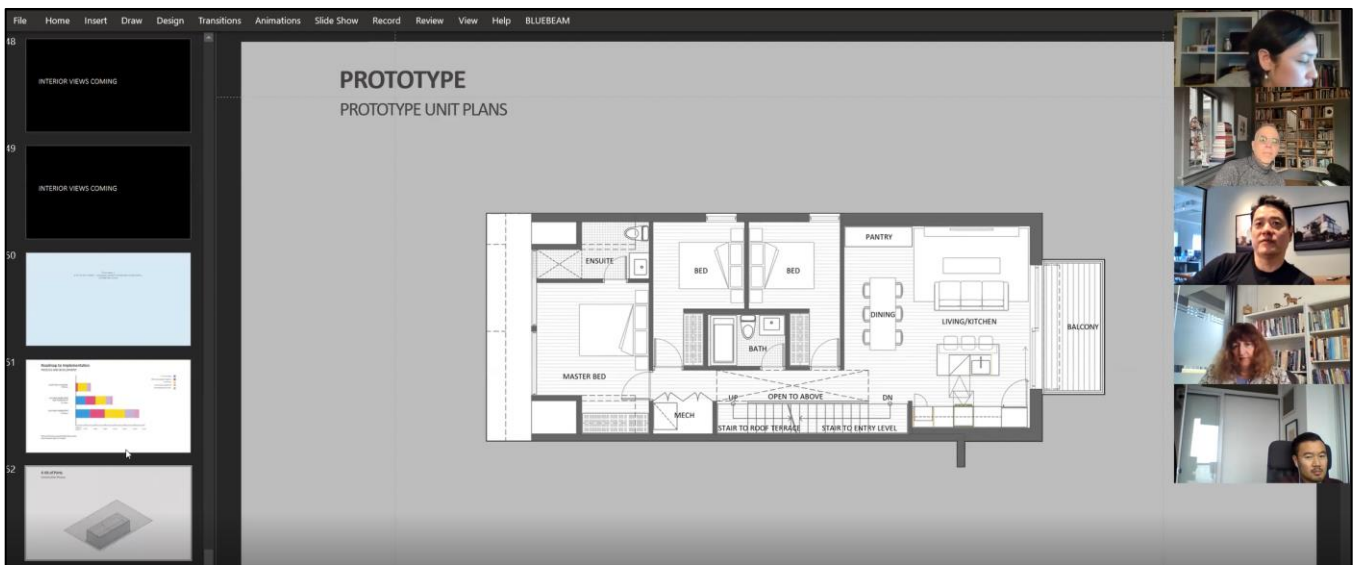
## Alternative Design Solution

As an alternative, the group explored a scenario that involved demolishing the existing house and building a new condominium model multiplex development with three to four vertically stacked units (refer to Recommendations section for outline and rationale for the ownership model).

<p><b>Building Code</b></p>	<p>The team’s proposed alternative design solution would be code compliant, but the ground floor would need to sink down 2.5 ft. This is due to current code height requirements. In addition, four-storey units currently require an elevator and two means of exit. The team’s designed solution meets these requirements, but in doing so compromises had to be made by making it less accessible while reducing livable area by needing additional stairs/ circulation areas. Code changes, to facilitate an increase in accessibility and reduction in internal circulation, would optimize design and lower costs.</p>
<p><b>Homeowner Developer Partnership</b></p>	<p>It was noted by the team that this alternative design solution of full dwelling replacement may not be feasible for the average homeowner to undertake independently but that alternative development models could be explored further (i.e., forming a partnership with a small-scale developer/builder). This would suggest that additional assistance would be required, especially with City-sponsored redevelopment toolkits, and pre-approval planning guidelines, to make this solution viable.</p>

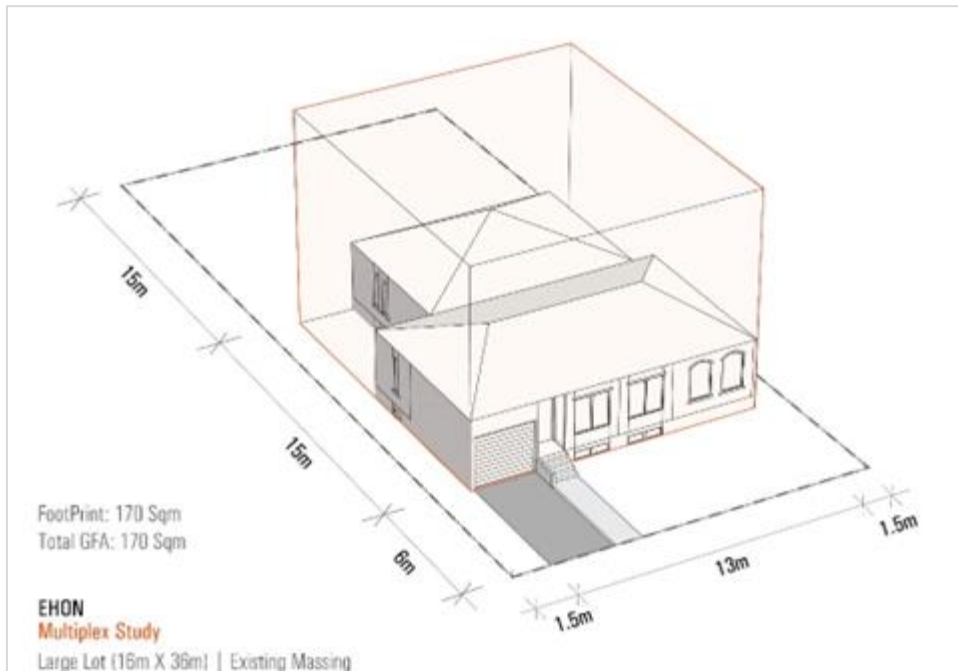


Jaegap Chung, Principal at Studio JCI shows built form of alternative new build multiplex design



Jaegap Chung, Principal at Studio JCI shows unit floorplan of alternative new build multiplex design

## SCENARIO 2: Bungalow



### Interior Renovation Assessment

In determining a design concept and scope of work, the team assumed that the bungalow would be in its original condition and that the homeowner would pursue a full renovation including taking the internals back to the stud walls and bringing up to current code standards. The following items were considered:

- Create 1-, 2- or 3-bedroom rental units, with a medium quality finish (i.e., in-suite laundry, quartz countertops, stainless steel appliances, pot lights, etc.), however differing levels of finish could be desirable depending on location, target market, level of affordability, etc.)
- Create outdoor space for each unit by building large window wells/garden patios at basement level
- Avoid window well / sunken patio from triggering variances for building depth/length and soft landscaping and lot coverage
- Maintain interior (garage) parking space to be used as storage for units instead of for vehicular parking if the demand/need for parking on the particular lot is low (i.e., located near good public transit)
- Upgrade to 200-amp service
- Add an EV charging unit

### Built Form Notes

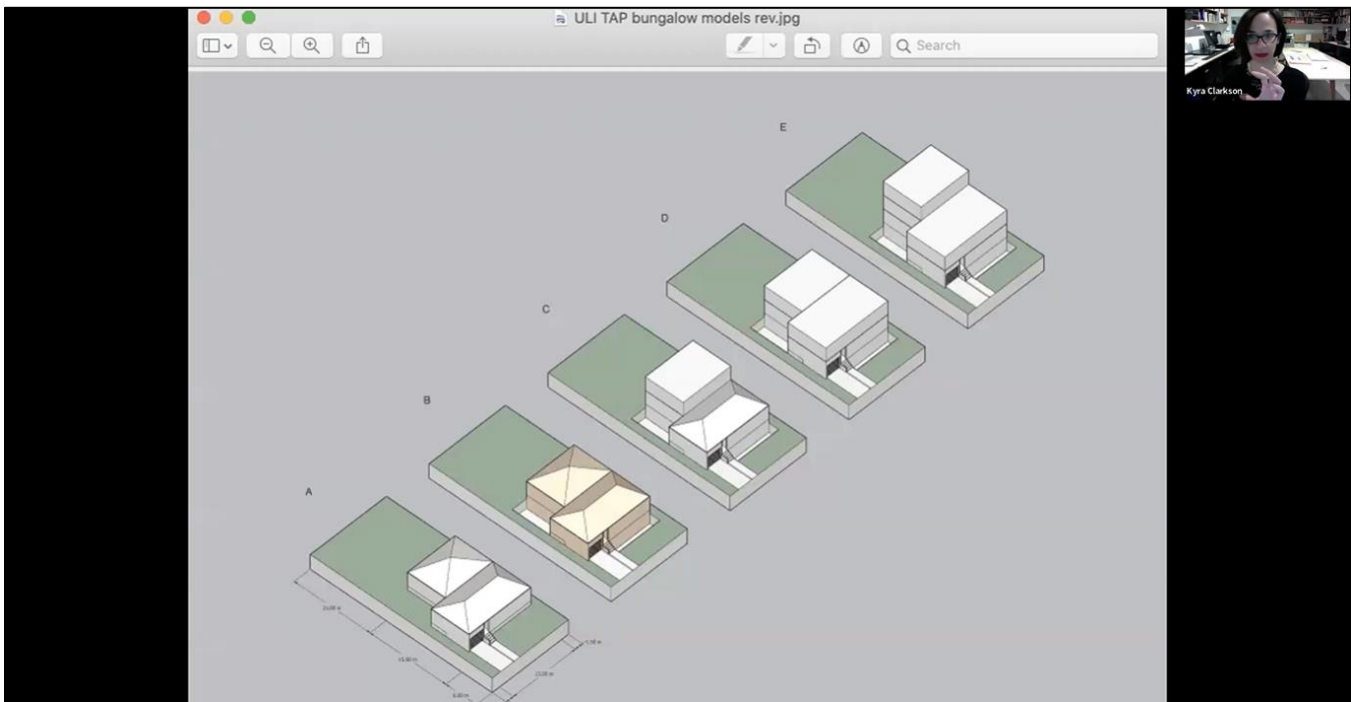
- Large sized lot
- GFA is only about 50% of what is permitted on the lot under the existing zoning
- Could be a conversion into a multiplex, could be a teardown and rebuild
- Built in the 1970s
- Commonly found in Scarborough and Etobicoke

The team noted that the average bungalow available in Toronto tends to be much smaller than the example-built form contemplated in this TAP scenario. Very few exist with this much square footage and the basement is usually quite a bit smaller than the main floor. In addition, most would not have the rear extension, which would be costly to add.

With the above considerations in mind, the team determined that renovation of the model bungalow into a multiplex would **not be financially feasible** for the average homeowner.

### Alternative Design Solution

The team determined it is necessary to explore new builds to maximize the potential of the site (constructing a vertical addition on the existing building) to encourage gentle intensification consistent with the multiplex question posed.



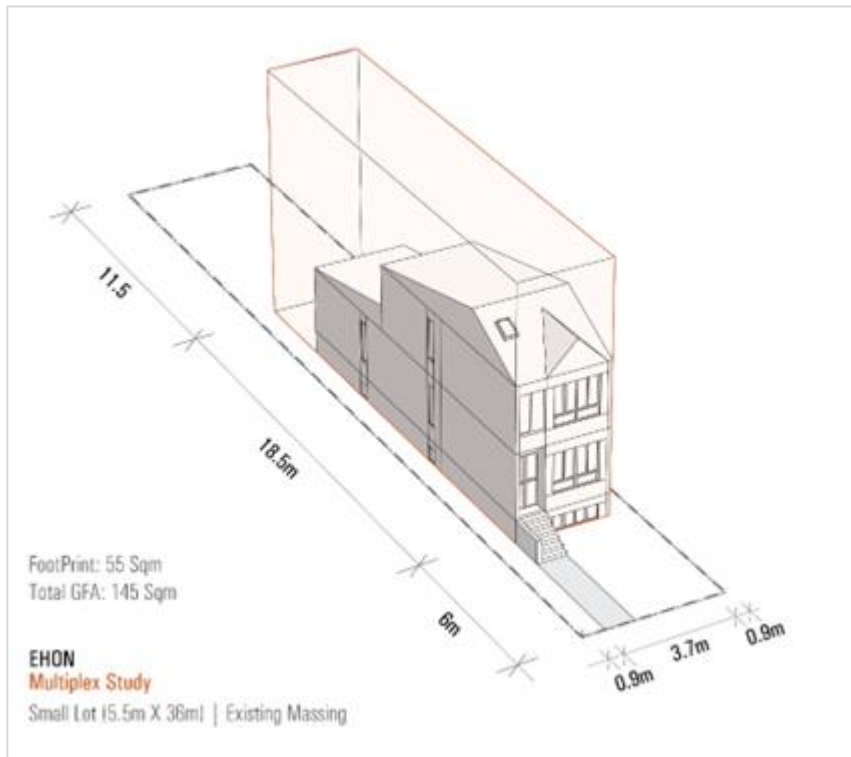
*Kyra Clarkson, Principal of Kyra Clarkson Architect Inc. and co-founder of Modernest Inc. reviews alternative design solutions involving top-ups*



## Other Considerations

<p><b>Lot Size Potential</b></p>	<p>Noting the bungalow’s large lot size, the team saw potential to increase lot coverage through maximizing the zoning envelope and creating space for common outdoor amenities for tenants.</p>
<p><b>Tenant Security</b></p>	<p>Having 4 units provides more security for tenants as there are more protections in the <i>Residential Tenancies Act</i>. For example, tenants wouldn’t be able to be evicted with an N12 for a landlord’s personal use in this case. The City may consider recommendations to include these newly constructed units under rent control as they would otherwise be subject to annual increases beyond the maximum allowable.</p>
<p><b>Rental Rate Variability</b></p>	<p>There is a huge swing in rental rates in the communities with this type of property. Neighbourhoods in Scarborough that are situated closer to the GO line and Kingston Rd (i.e., Guildwood) or in Etobicoke near Bloor West/Kipling/Burnhamthorpe area typically command a higher rent than communities like Wexford which are further away from rail transit. For this reason, we are likely to see higher adoption along main rail transit lines.</p>

## SCENARIO 3: Narrow Lot, 2 or 3 Story Vertical Home



### Interior Renovation Assessment

The team determined that from a demand perspective, **this property type is most conducive to a multiplex conversion.** This is because it would be competing directly with condos and many other low rise rental options.

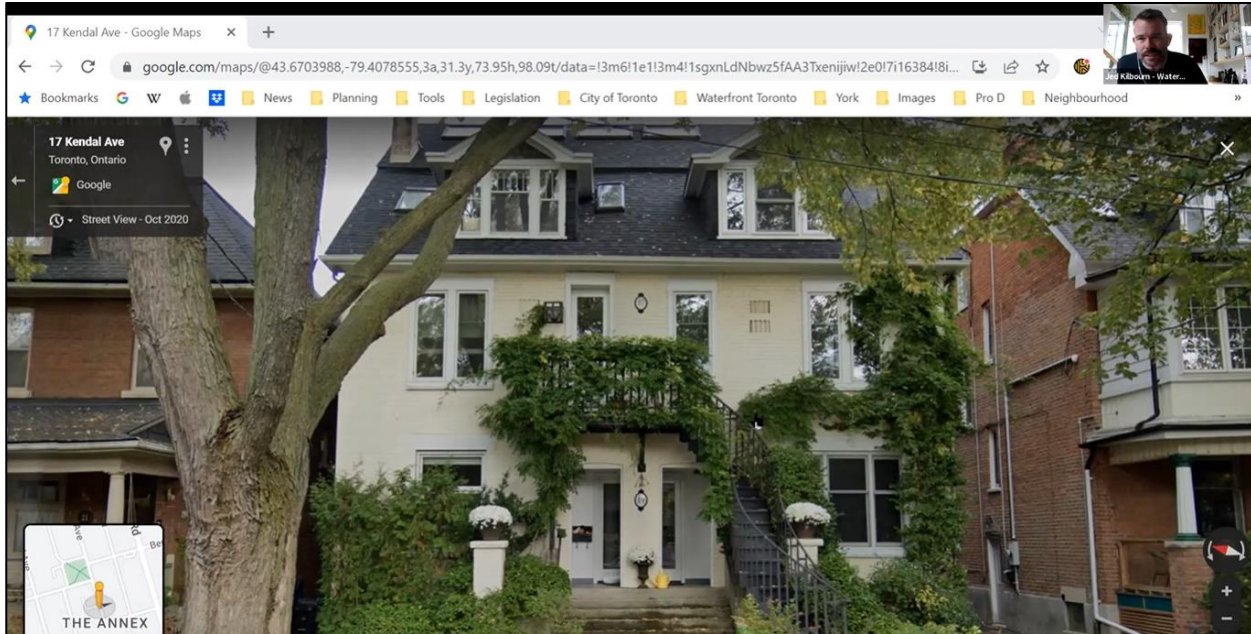
By this reasoning, creating units that serve as condo alternatives would maximize rent per square foot. This would involve designing with similar styles and finishes, as well as incorporating common outdoor amenities (i.e., BBQ area, shared outdoor space) and ensuring each apartment has private outdoor space and plenty of light.

Building to the maximum zoning envelope here could produce three above-grade apartments roughly 900-1100 SF rentable each and one below-grade unit approximately 750-900 SF or two micro units.

### Built Form Notes

- Smaller lot
- GFA is likely close to what is permitted, if not more than permitted as-of-right
- Likely a conversion
- Built pre-war
- Commonly found in Toronto, York, and East York - older parts of the city.

## Other Considerations



*Jed Kilbourn, Director, Development Planning at Waterfront Toronto outlines the merits of 4-unit building with external staircase housing design - with guidelines to ensure quality design - which allows for use of all internal floorplate for living area.*

---

## 5. RECOMMENDATIONS

---

### Overarching Themes

---

#### Encourage Ownership Model

Although a rental model can exist, the TAP suggests it is worthwhile to consider an ownership model, which could help first-time homebuyers purchase units in existing neighborhoods. The TAP noted that the profitability of a rental model may not be appealing to an owner who is making a significant investment in their property. Further, there may be an opportunity to explore the possibility of co-ownership, particularly with respect to the creation of two- or three-unit properties.

#### Explore homeowner- developer partnership models.

The TAP recognizes there may be trepidation around “developers” coming in to redevelop the Yellowbelt. However, developers typically would not be drawn to projects with such small margins. There could be an opportunity to enable effective partnerships between small-scale developers and homeowners for this type of single dwelling conversion to multi-units. This may facilitate effective risk-sharing model opportunities, financial benefits, and enhance a project’s quality. It could also encourage developments that are more sensitive to local needs.

---

### Development Charges

The TAP acknowledges the important role that Development Charges can play in paying for necessary infrastructure and increasing density across the Yellowbelt. The development of multiplex conversion projects could warrant such area infrastructure improvements. However, the TAP recommends that the City consider a review of such charges. This could include waiving or reducing Development Charges and expanding the parameters of exemptions to make multiplexes more financially attractive to homeowners. Note: the City’s proposed DCs increase of up to 49% could certainly impact the financial feasibility of such projects. At a charge of \$115,579 per unit, increasing the unit count by three could add an additional \$346,737 to the overall project - the cost of which would likely be borne by the Purchaser.

<p>Waive or reduce DCs on a sliding scale based on number of units.</p>	<p>Waive all Development Charges, Education, and Park Levies for all multiplexes up to 4-units.</p> <p>Reduce Development Charges, Education, and Park Levies for multiplexes between 5-8 units on a sliding scale as follows:</p> <ul style="list-style-type: none"> <li>▪ 20% of full charges on 5th unit in a 5-plex</li> <li>▪ 40% on the 6th unit in a 6-plex</li> <li>▪ 60% on the 7th unit in a 7-plex</li> <li>▪ 80% on the 8th unit in an 8-plex, and</li> <li>▪ 100% of these charges on the 9th+ units.</li> </ul>
<p>Expand the parameters of DC exemptions.</p>	<p>The existing exemptions from Development Charges, and Education and Park Levies should apply not only to projects adding one or two units. but should be reduced on a sliding scale up to ten units.</p>

## Zoning & Approvals

Through the TAP's discussion of the three scenarios, it became clear that the approvals process should be simplified to facilitate the feasibility of multiplex conversion projects by a homeowner. As is, the number of approvals and time it takes to gain permission are major barriers to overcome, where little incentive exists, given the small potential margin of profit.

<p>Consider removing the terminology "detached house"</p>	<p>The RD zone is very restrictive - only detached dwellings are permitted. Areas near transit nodes need to allow as-of-right triplexes or auxiliary dwellings. Other jurisdictions have done this (i.e., Minnesota, Portland, Edmonton). RD zones could be eliminated to permit multiplexes throughout the city. This will require considering externalities to the building type such as parking configuration/arrangement, landscape, and other forms on additional infrastructure.</p>
---	---

**Building Height:** Consider increasing the maximum height in R zones (typical maximums are 10m, 11m or 12m). This restriction does not accommodate the height needed to effectively add new floor levels - especially with properties situated on narrow lots. We recommend a review of the codes to permit building heights appropriate to multiplexes. Increasing this limitation could facilitate the development of an additional storey to what is currently allowed and may be one of the simplest ways to increase net new area.

Review maximum permitted building height and depth

**Building Depth:** The current requirements state a 14m building depth restriction for multiplexes (in contrast to 17m for detached and semi-detached houses). Consider changing the bylaw to permit building depths of up to 20m as-of-right for multiplexes city-wide. Doing so could provide flexibility in the design of the development which may facilitate more light to flow into the centre of the house and help compensate for lost area due to internal stairs/circulation requirements.

The TAP noted that extending a house with additional depth is typically less expensive than adding building height.



<b>Permit alterations for buildings with narrow lot frontages</b>	<p>To facilitate the creation of secondary suites in residential buildings with narrow lot frontages, consider:</p> <ol style="list-style-type: none"> <li>1. amending section 150.10.40.1 of Zoning By-law 569-2013 to permit pedestrian entrances in a front wall of a detached house or semi-detached house, and</li> <li>2. permitting alterations to accommodate a secondary suite in addition to those listed in Section 150.10.40.1(2)(b).</li> </ol>
<b>Expand below grade space exemptions</b>	<p>Currently, below-grade space is not counted toward the Floor Space Index (FSI) for 1-2-unit dwellings but is considered for 3+ unit dwellings. This can make approvals for 3+ unit dwellings more difficult. Recommend that below-grade space exemptions be expanded to include below-grade area for multiplexes up to 10 units. Or eliminate the maximum permitted FSI and use solely built form standards instead.</p>
<b>Remove main wall height restrictions (do not mandate sloped roofs)</b>	<p>The main wall height maximum (2.5m below the maximum height) effectively mandates a sloped roof and makes building a full third floor impossible. As long as street wall and issues of sun angles are taken into account, flat rooftops should be permitted and encouraged. In addition to permitting more density, they can provide much needed amenity space, decks, and green roofs. The elimination of the main wall height regulations, which incentivizes the construction of sloped roofs, may assist the design of multi-unit dwellings by maximizing internal space while providing additional external livable area.</p>
<b>Consider reducing rear yard set back requirements</b>	<p>Reducing rear-yard setback requirements from 7.5m to 4.5m for the creation of multiplexes as-of-right city-wide could facilitate flexibility in development. However, the impacts this would have on the neighbours would need to be considered, dependent on location.</p>
<b>Exempt sunken patios from building length and soft landscaping</b>	<p>Sunken or lowered patios or window wells serving basement dwelling units should not count toward building length or building depth for the creation of multiplexes as-of-right city-wide.</p> <p>They should also be exempt from the area used as the total outdoor area (the denominator) in the soft-landscaping requirement calculation for the creation of multiplexes as-of-right City-wide</p>
<b>Soft Landscaping</b>	<p>Allow green roofs to count toward soft landscaping requirements</p>
<b>Increase Density</b>	<p>Allow greater FSI or removal of maximums and rely on built form performance standards. Most of the existing residential housing stock in Toronto exceeds the permitted FSI of 0.6, or 1.0. This is a common barrier for residential additions.</p>
<b>Facilitate related agency approvals</b>	<p>Other agencies - Transportation, Urban Forestry, Waste Management, Engineering &amp; Construction Services - can provide barriers to projects. The facilitation of these reviews and approvals needs to be addressed in this process.</p>

---

## 6. FURTHER CONSIDERATIONS

---

### “The Parking Lot”

Throughout the TAP workshops, many ideas, challenges, and opportunities emerged that fell outside the scope of the given problem statement. Nicknamed “the parking lot”, these ideas are captured here for further consideration.

---

#### Entrances

- Not permitting additional entrances is problematic from a living perspective and a condominium perspective.
- A street-facing door is currently required, regardless of context, or housing type. Properties with long, deep lots would benefit from bringing circulation access to the middle or side of the building.
- Doors to secondary units should be permitted to face the street.
- Consider a suite of pre-approved designs for exterior stairs to relieve the need for internal second means of egress.

#### Parking / Transit Infrastructure

- We need to rethink the infrastructure shared between houses if we want to intensify.
  - We need to understand how people get to and from where they live and how to support these transit behaviours.
  - We can’t address the missing middle without the last mile.
  - Changes or retrofitting the street structure may be required to facilitate multiplex housing. This comes down to the street or lot typology. For example, consider grouped parking as a form of shared infrastructure.
  - Parking and cars are a part of the typology of the suburbs - you can’t ignore or eliminate this externality; it must be planned/designed
  - The ability to add parking pads or parking to the rear of a lot will depend on the block, parcel, and lot type in play.
  - Consider the possibility of creating more one-way streets (4.5m wide) and creating dedicated, shared parking zones curbside. Slow down traffic from 40km to 30km and encourage more neighbourhood-based car sharing options.
  - Considering the addition of shared EV parking is also important as they become more popular.
-

### Demographics & Target Market

- Further consideration is needed to identify the demographics that would most likely want to take this kind of project on and design the program with them in mind. Each demographic and sub-set has varying needs, risk appreciation, financial status and needs that will determine the success of a single dwelling conversion to a multi-unit.
- Carrying out this type of project can be a risky proposition and there are less risky and more expedient ways for homeowners to downsize and achieve financial security. Incentives could alleviate some of those risks.
- It's important to consider the small-scale developer who will more likely be the one to take on this type of project.
- If we're trying to incentivize homeowners to do this, we have to make it easy for them. Work with private contractors and builders to package these projects and make it easier for the less savvy or aging homeowner to take this on. There may be private companies willing to focus on this niche as they have been with laneway suites. Yet as we've seen with laneway housing, adoption has been weak without a more transparent and cost-effective approach (i.e., homeowners will not likely do this if they're paying retail material prices).

### Moving Costs

- This kind of project would typically require the homeowner to live elsewhere and temporarily move out furniture and belongings. Paying for another place to stay and storage could be cost prohibitive. These additional incidental costs are not taken into account within the models but should not be ignored when considering such a project.

### Fractional Ownership

- Explore cost sharing or co-ownership models for multiple parties to pursue multiplex development and ownership together.
- This system would appeal to people who can't afford to buy a home independently and don't have the expertise alone to undertake such a project.
- Consider recommendations for legal mechanisms to enable co-ownership (the *Condominium Act* is a challenge for condos with few units) or consider amendments to the *Condominium Act* for small projects.

### 200 vs. 400 AMP Service

- Determining the need for 200 vs 400 AMP service is complicated.
- The greener a building gets, the more it will depend on hydro over natural gas, and the more likely a 400 AMP service upgrade will be needed.
- Reducing electrical load through the use of new technologies and the implementation of solar and batteries installations to lower the load is a wider issue that should be considered.
- Some general guidelines to help people understand these types of technical issues could be helpful.

**Variances to  
“materially  
consistent with  
prevailing physical  
character**

- Consider reworking section 4.1.5 of the Official Plan which requires new development in Neighbourhoods to be “materially consistent with the prevailing character of properties in both the broader and immediate contexts”.
- It is difficult to meet the requirement for a proposed development to satisfy the test under Section 45(1) of the Planning Act regarding maintaining the general intent and purpose of the Official Plan, especially if multiplexes are not the prevailing dwelling type in the broader and immediate context.
- City staff have acknowledged that the City’s Official Plan policies for new development in Neighbourhoods often conflict with the City’s desire to create new multiplex housing, as the approval of multiplex housing can be difficult if such housing is not already present as part of an area’s prevailing built context. In a recent City Planning staff report to the Planning & Housing Committee, staff note that:
  - “In practice, if multiplexes are not already present or do not have a significant presence (often described as 50%+1) in a neighbourhood, they are unlikely to be supported by City Planning staff, approved at the Committee of Adjustment, or supported at the Toronto Local Appeal Body (TLAB) based on this policy.”

**Incentives**

- Promote Canada Mortgage and Housing Corporation (CMHC) loans but advocate for loans to be accessible for smaller projects - for less than 5 units

**Sustainable Building**

- Adding sustainable design and construction components would definitely add a premium to cost. Suggest further study on how changing standards are impacting sustainable building, to what extent they would add costs to the project, and what avenues exist to offset these costs. For example, the City could promote incentives such as the Home Energy Loan Program and consolidate where possible to provide ease of access.
- When the federal carbon price reaches \$170/tonne in 2030, operating costs for gas and electric heating will be similar in Ontario. Since the lifecycle of a new furnace can be 20+ years, homeowners will end up paying more in the long run by locking in gas service today. Instead, suggest hiring an architect and invest in a high-performance envelope to bring down energy use, then electrify. The capital cost premium should be minimal (i.e., <5%) in a well-designed building. Solar and battery costs have dropped significantly and can be added to over time to further reduce electricity bills and improve resilience.



Toronto

# Appendix:

About ULI



---

# APPENDIX: ABOUT THE URBAN LAND INSTITUTE

---

## The Urban Land Institute (ULI)

ULI is a nonprofit research and education organization supported by its members. Founded in 1936, the institute now has more than 45,000 members worldwide representing the entire spectrum of land use and real estate development disciplines, working in private enterprise and public service.

ULI's mission is to shape the future of the built environment for transformative impact in communities worldwide. We provide our members with independent forums for discussion and debate about city building issues and best practices.

## ULI Toronto District Council

Supported by over 2600 public and private sector members, ULI Toronto is the largest chapter worldwide. It carries forth this mission while helping to shape a sustainable and thriving future for the Toronto Region with independent forums for discussion and debate about city building issues and best practices.

## Technical Assistance Panel Program (TAP)

The ULI Technical Assistance Panel (TAP) is a high-profile industry program that brings together the finest expertise in the real estate, planning and development fields to collaborate on complex land use and redevelopment projects and explore current issues in real estate. The program is organized by the ULI Outreach Committee and typically convenes 8-12 members of the ULI Chapter to provide a meaningful contribution toward the revitalization of a city neighbourhood or district. At the conclusion of the TAP program, ULI compiles a summary of the presentations and recommendations in a TAP Report.



---

ULI Toronto  
30 St Patrick St 5<sup>th</sup> floor  
Toronto, ON M5T 3A3

647 258 0017  
toronto@uli.org

[toronto.uli.org](http://toronto.uli.org)