

OUR HOUSE:

IMPROVING THE MULTIPLEX BY-LAW TO INCREASE TORONTO'S HOUSING SUPPLY

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ABSTRACT:

This study examines multiplex housing development in Toronto one year after the Multiplex By-Law was enacted, which ended decades of restrictive zoning by permitting duplexes, triplexes, and fourplexes on all residential lands. This study was conducted through literature review, analysis of similar zoning reforms in other cities, an evaluation of Toronto's policy changes, and semi-structured interviews.

Multiplex development has shown modest progress, with further growth expected as the sector matures. Small developers dominate the industry. These developers focus on lots with specific dimensions and valuations that are most conducive to multiplex construction. Fourplexes with rear yard garden suites represent the most financially viable projects under the new regulations. Rental multiplexes, despite offering longer-term returns, face fewer financial and management challenges compared to condominium projects.

The primary planning barrier is rigid building envelope regulations, often requiring variances from the Committee of Adjustment. Other challenges include neighbourhood opposition, dual egress requirements, inaccessible zoning information, and development unpredictability. Financial barriers include difficulties in securing preferred financing, achieving economies of scale, high land values, and misalignments between federal financing and municipal development charges. High interest rates and labour costs further hinder development.

To address these issues, Toronto should consider broadening building envelope regulations, reducing reliance on the Committee of Adjustment, expanding the multiplex development charge exemption, and pre-approving model multiplex plans. While newly-built multiplexes will not constitute affordable housing, they can contribute to overall affordability by increasing supply and offering relatively affordable options across more neighbourhoods.

RÉSUMÉ:

Cette étude analyse le développement des logements multiplex à Toronto un an après l'adoption du règlement Multiplex, qui a mis fin à des décennies de zonage restrictif en permettant la construction de duplex, triplex et quadruplex sur tous les terrains résidentiels. Elle s'appuie sur une revue de la littérature, une analyse des réformes similaires dans d'autres villes, une évaluation des changements des règlements d'urbanisme à Toronto, et des entrevues semi-structurées.

Le développement des multiplexes a progressé modestement, avec une croissance prévue à mesure que le secteur mûrit. Les petits promoteurs dominent le secteur, ciblant des terrains aux dimensions et valeurs optimales pour ce type de construction. Les quadruplex avec des unités d'habitation accessoires à l'arrière sont les projets les plus viables dans le cadre de la nouvelle réglementation. Les multiplex locatifs, bien qu'ils offrent des rendements à plus long terme, posent moins de défis financiers et de gestion que les projets de condominiums.

Le principal obstacle en matière d'urbanisme est la rigidité des règles relatives à l'enveloppe du bâtiment, souvent nécessitant des dérogations auprès du Comité de dérogation. D'autres défis incluent l'opposition du voisinage, les exigences en matière de double sortie, l'accès limité aux informations de zonage et l'imprévisibilité des projets. Les obstacles financiers comprennent les difficultés à obtenir des financements abordables, à réaliser des économies d'échelle, les valeurs des terres élevées, et les désalignements entre les financements fédéraux et les frais de développement municipaux.

Toronto devrait envisager d'assouplir les règles sur l'enveloppe des bâtiments, de réduire la dépendance au Comité de dérogation, d'étendre les exemptions de frais pour les multiplexes, et de préapprouver des modèles de plans de multiplexes. Bien que les nouveaux multiplex ne soient pas des logements abordables, ils peuvent contribuer à l'abordabilité générale en augmentant l'offre et en proposant des options relativement abordables dans plus de quartiers.



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I. INTRODUCTION:

On May 10, 2023, Toronto City Council upended decades of land-use orthodoxy by passing the Multiplex By-Law. The Multiplex By-Law permits duplexes, triplexes, and fourplexes as-of-right in all areas designated as “Neighbourhoods,” effectively allowing multiplex development on all residential lands throughout the city. The Multiplex By-Law is a key component of the broader Expanding Housing Options in Neighbourhoods (EHON) initiative, which includes land-use changes such as permitting garden suites, eliminating minimum parking requirements, and eventually permitting small apartment buildings on all major streets. The City of Toronto has positioned these changes as part of its broader effort to create a more inclusive, sustainable, equitable, and accessible city in response to the growing housing supply and affordability crises.

Existing research on barriers to multiplex development identifies several key planning regulations that hinder their feasibility. The primary barriers include use-based restrictions, such as zones that exclusively permit single-detached homes, and building envelope constraints, such as maximum Floor Area Ratios

(FAR), minimum setback requirements, and minimum parking requirements. Case studies of cities that have implemented widespread upzoning policies to permit “Missing Middle” housing show promising results of boosting housing starts and slowing price escalation. However, the bulk of housing growth in these cities continues to be driven by large apartment buildings rather than small projects like multiplexes. This is partially due to the challenges of achieving economies of scale with multiplexes, both in terms of cost savings and in unit production. Despite these scaling challenges, studies have demonstrated that multiplexes remain a cost-effective housing option in terms of construction price and cost to end users. Neighbourhoods with diverse housing options, including multifamily housing, are generally more affordable and accessible than those with homogenous housing stock.

This study aims to analyze the current state of multiplex development in the City of Toronto and identify the barriers that impede their widespread adoption. In the first year since the passage of the Multiplex By-Law, the uptake of multiplex development has been predictably

slow, though greater activity is expected within the coming years. Multiplex development is currently most common on standard-sized lots in low-rise areas within Toronto's urban core. The sector is primarily driven by small, independent development firms and entrepreneurs, with homeowner-developers expected to enter the market once the multiplex development process becomes more streamlined and established. Large developers are notably absent from the market due to the real and perceived inefficiencies of multiplex projects. As the highest permitted as-of-right multiplex typology, the "4+1," a fourplex with a garden suite in the rear, is one of the most pursued project types in Toronto. These projects are being pursued both as purpose-built rentals and condominiums. While rental projects have longer return timelines, they benefit from tax and financing incentives. Condominium projects offer shorter return timelines, but face challenges related to registration and governance. Multiplex projects are typically financed through traditional channels such as residential mortgages, general and limited partnership agreements, land loans, and construction loans. The City of Toronto is currently monitoring the uptake of multiplex development and is expected to consider further expansions of the by-law in the coming years.

While the Multiplex By-Law was designed to not only permit, but also facilitate multiplexes development, several regulatory, financial, and economic barriers remain. Despite the modest expansions introduced by the Multiplex By-Law, building envelope regulations remain inflexible,

limiting multiplex development on most sites. Most projects require a set of similar minor variances from these regulations which must be approved by the Committee of Adjustment. Although large majorities of minor variance applications are approved, the Committee is often criticized for its subjective and inconsistent decision-making, unfamiliarity with multiplex forms, and deference to neighbourhood opposition. High fixed costs and difficulties in achieving economies of scale with costs including management, land, permits, and labour can make multiplex development a less attractive option to developers. Policy misalignments, such as those between the City of Toronto's Development Charge exemption and the CMHC's MLI Select rental financing program, add monetary costs and logistical hurdles to development. Additionally, condominium fees related to applications, legal work, registration, and insurance impose disproportionately high costs on small projects compared to larger condominium developments. The current economic climate, characterized by high interest rates and rising labour costs, presents challenges to the entire development industry. However, these challenges are particularly acute for small developers pursuing small projects.

The City of Toronto is attempting to change its decades-long status quo of "tall and sprawl" development by encouraging multiplex development in its established neighbourhoods. To achieve this goal, the City must identify and address the barriers to multiplex development that are within its regulatory control. This study aims to provide policymakers with an

assessment of the current state of multiplex development in Toronto and the barriers preventing greater uptake by asking: “How can the City of Toronto optimize and improve the Multiplex By-Law to facilitate rapid increases to the city’s housing supply?” This research will present findings on the state of the industry and identify a series of interconnected planning, financial, and economic barriers that limit the potential of multiplex development in Toronto. While some barriers are inherent to the intractable realities of market economics, many others can be mitigated through planning and financial reforms.

This study will begin by defining key terms and assumptions. It will then review existing academic literature on the topic, evaluate case

studies of upzoning initiatives in peer municipalities, and discuss Toronto’s regulatory context governing multiplex and other forms of real estate development. Following an explanation of the research methods, this study will outline the current state of multiplex development in Toronto and discuss the barriers to the form’s widespread adoption. Finally, the study will offer a set of policy recommendations and discuss the role of multiplexes in addressing Toronto’s housing shortage. This research was conducted through semi-structured key-informant interviews, a literature review, and an analysis of policy documents.



2. DEFINITIONS & ASSUMPTIONS:

2.1. Multiplexes

In Toronto, a multiplex is a small standalone building containing two to four apartments. The City of Toronto's Zoning By-Law 569-2013 defines a multiplex as "a residential building with two, three, or four units – also called a duplex, triplex, or fourplex." It is important to note that a semi-detached house with two attached units side-by-side is not a duplex, nor are townhouses or rows of side-by-side attached houses considered multiplexes. Multiplex units can be rented out or sold individually as condominium units. Multiplexes come in various forms and designs but will often resemble a walk-up apartment building with units stacked on top of each other in different configurations. Historic multiplexes are common in many cities in Canada, North America, and globally, including in Toronto. From the outside, a multiplex may be indistinguishable from a detached home, despite containing multiple units within the structure.

2.2. Garden Suites

The City of Toronto's Zoning By-Law 569-2013 defines a garden suite as "a self-contained living

accommodation located within an ancillary building, usually located in the rear yard, but not on a public lane, and is separate or detached from the primary dwelling on the lot." Garden Suites differ from Laneway Suites, which abut public laneways and may have their own municipal address and lot. Garden suites cannot be severed as standalone properties or sold as condominium units, and they are typically used or rented out by the principal property owner.

2.3. The Cities Within Toronto

The existing City of Toronto is an amalgamation of six former cities that once made up the upper-tier municipality known as Metropolitan Toronto. These cities are the former City of Toronto, East York, Etobicoke, North York, Scarborough, and York. The amalgamation took effect on January 1, 1998. The former City of Toronto, alongside East York and York, are the historic, predominantly pre-war areas that define Toronto's urban core. These areas feature a more diverse range of housing types and densities, with the former City of Toronto hosting Toronto's large downtown area. In contrast, Etobicoke, North York, and Scarborough are mostly post-war areas known as Toronto's "inner suburbs." These areas are more suburban in character, with a less diverse

housing stock consisting mainly of detached dwellings interspersed with high-rise apartments, typically located at major intersections. Each of these six former municipalities had its own separate zoning codes and planning powers, many of which remain in force today.

2.4. The Yellowbelt

The “Yellowbelt,” a term coined by Gil Meslin, a prominent urban planner in Toronto, refers to areas of the city designated as “Neighbourhoods” in yellow on the City’s Official Plan maps (Figure 1). The City of Toronto’s Official Plan describes “Neighbourhoods” as “physically stable areas made up of residential uses in lower scale buildings” which are typically protected against physical change and intensification. These areas have been effectively frozen against development, preventing many necessary changes to respond to the needs of a growing city. While some parts of the yellowbelt within the urban core allowed semi-detached, townhouse, and limited multiplex uses, the majority of the yellowbelt, as shown in Figure 2, was reserved exclusively for detached homes.

2.5. Why Build Multiplexes?

Multiplex development is a crucial component of a broader strategy to increase a city’s housing supply, better utilize existing infrastructure, and provide a wider range of housing options at more diverse price points. Multiplexes enable cities to increase their low-rise housing supply within existing built-up areas, rather than relying

on greenfield land at the urban fringe to accommodate housing growth. A typical multiplex can be built on a standard sized detached home lot, without the need for land assembly across multiple adjacent lots, which is required to construct larger apartment buildings. Multiplexes are small, easier to permit, and fit well within existing low-rise neighbourhoods, all while increasing the housing capacity on a given lot from one to up to five units, depending on permissions. If just one in ten detached homes in Toronto were replaced by fourplexes, the city would see a 30% net increase in low-rise housing units. While it is unlikely that multiplexes will replace such a significant number of detached houses in the short term, they have the potential to gradually transform Toronto’s urban landscape over the long term.

Multiplexes also facilitate more efficient use of public infrastructure in Toronto. Toronto’s current development pattern consists of several hyper-dense “Urban Growth Centres” dominated by high-rises and other large apartment buildings, while most of the city’s residential land consists of low-rise, detached suburban-style neighbourhoods. Infrastructure in the Urban Growth Centres, including schools, libraries, social services, and utilities are under strain due to high demand, with many schools experiencing overcrowding. In many cases, new students are turned away from their local public schools due to oversubscription. In contrast, many of Toronto’s low-rise neighbourhoods are losing population, leading to under-enrolled schools and struggling libraries. Beyond social infrastructure,

low-density detached neighbourhoods have higher per-capita infrastructure costs compared to denser areas. Providing adequate public transportation and sustaining local businesses in low-density areas is more challenging, perpetuating a vicious cycle of automobile dependency and disinvestment in these communities. Multiplexes can help “rebalance” these infrastructure gaps by stabilizing and even reversing population decline in low-rise areas and easing the infrastructure demand on Urban Growth Centres.

Multiplex housing provides greater options for households wishing to live in low-rise, interior neighbourhoods. Traditionally, the cost of entry to such neighbourhoods in the City of Toronto has involved buying a detached or semi-detached house, a pathway that has become increasingly expensive and out of reach for most Torontonians. This situation forces lower- and middle-income Torontonians into a limited number of high-rise neighbourhoods where smaller, more affordable units can be found. Multiplexes provide a broader range of housing options, sizes, and price points across more neighbourhoods. The Multiplex By-Law was designed with accessibility and inclusivity as guiding principles, aiming to remove the significant barrier to entry into neighbourhoods facing most Torontonians and newcomers.

2.6. Housing Affordability vs. Housing Accessibility

When discussing multiplexes, it is important to differentiate between housing affordability and accessibility. During the May 10, 2023, City

Council meeting where the Multiplex By-Law was passed, then-Chief Planner of the City of Toronto, Gregg Lintern, clarified that the “program is not directly [a] ‘Capital-A’ affordable housing [initiative]... this is market-driven housing [that] will have more affordable attributes.” Lintern’s remarks highlight how multiplexes can contribute to macro-level affordability through mechanisms like housing filtering, vacancy chains, multigenerational housing opportunities, and an overall increase in supply. According to Lintern, the Multiplex By-Law is a “market-driven exercise in increasing the supply, the choice, and the opportunity for housing” in the City of Toronto.

Lintern’s statements clarify how multiplexes operate within a larger housing market. Multiplexes will not constitute “Capital-A” affordable housing—typically provided at statutory affordable rent levels and funded by subsidies—but they will offer a more affordable option for households looking to live in low-rise areas. Currently, households seeking apartment units are limited to the few areas where apartments have historically been permitted and are typically limited to mid- to high-rise buildings. Multiplexes will expand housing choice and improve access to low-rise areas that are currently out of reach due to high entry costs. In the long term, multiplexes can help alleviate Toronto’s housing crisis by contributing to an increase in overall housing supply.

3. LITERATURE REVIEW:

This literature review explores the body of research surrounding the barriers to the broader adoption of multiplex and “Missing Middle” housing, the relationship between housing density and housing cost, and case studies from cities that have implemented blanket upzoning policies. Research indicates that land use reforms promoting gentle density can help suppress housing cost escalation, although significant growth in housing supply is more often driven by larger developments rather than smaller projects like multiplexes. These land use reforms included expanding unit permissions, increasing density allowances, and broadening building envelope regulations.

3.1. Density, Multiplexes, and Housing Cost

A substantial body of research in the field of urban economics finds a positive relationship between housing density, increases in housing supply, and relative housing affordability (Mense, 2020; Li, 2021; Asquith, Mast & Reed, 2023). However, in most urban centres, high land values translate to higher home values compared to similarly sized homes in peripheral

areas. It is important to note that when tested on urban neighbourhoods with relatively dense housing forms, this relationship exists as a counterfactual to an alternative of low-density urban neighbourhoods.

Aurand (2010) found evidence that neighbourhoods with greater density and variety of housing types are likely to have more affordable rental units compared to low-density neighbourhoods consisting almost exclusively of single-family homes. Dong (2020) found that “medium-density multifamily homes” such as multiplex units are typically more affordable for both sale and rent than equivalent detached homes and high-rise condominium units in similar areas, both on a price-per-unit and price-per-square-foot basis. This affordability is attributed to their smaller sizes compared to detached homes and lower construction costs than high-rise units.

Dong (2020) also identified a non-linear relationship between construction costs and building height, finding that costs-per-square-foot increase for buildings over four stories due to the need for steel framing. As a result,

multiplex housing is often the most cost-effective form of multifamily housing to construct and frequently represents the most affordable housing option in many neighbourhoods. Additionally, Dong (2020) found that investor activity in multiplex markets can positively impact rental affordability by increasing the supply of rental housing.

Urban multiplex units benefit from cost-savings by sharing high-value land. Ahlfeldt and McMillen (2014) found a proportional elasticity between land price and development density, indicating that in areas with higher land prices, developers are more likely to build denser housing to better amortize land costs over their expected returns. This body of literature suggests that, both on macroeconomic and microeconomic scales, multiplex housing tends to be a more affordable housing option than other housing forms in equivalent areas.

3.2. Understanding the Missing Middle

Daniel Parolek's 2020 book, *Missing Middle Housing*, provides a comprehensive overview of the numerous forms of "Missing Middle" housing and the barriers to their development. "Missing Middle" or "gentle density" housing refers to the range of multifamily housing types that fall between detached homes and large apartment buildings on the housing spectrum. The book provides an in-depth analysis of the historical and current reasons why these housing forms are limited. Additional studies of Missing Middle housing types and the barriers to their adoption are also found within academic literature (Garcia, Alameldin, Metcalf & Fulton, 2022; Wegmann, 2020).

Parolek (2020) identifies several barriers to the development of Missing Middle housing, such as multiplexes. A lack of enabling zoning, restrictive building envelope regulations, density-based restrictions, and parking requirements are among the most common planning barriers that limit the feasibility of these housing forms. In some cases, restrictive "setbacks, maximum densities, and minimum lot size" requirements can make it practically impossible to build small site Missing Middle projects such as multiplexes, even in zones that technically allow them (Parolek, 2020). For example, minimum parking requirements can render multiplex projects on standard lots impossible to build due to the large footprint required for off-street parking spaces. Parolek (2020) suggests that testing multiplex concepts on a variety of vernacular lot sizes can help address building envelope and parking issues when designing by-laws. Other studies on Missing Middle housing similarly conclude that inflexible building envelope restrictions can make these housing types impossible to construct, particularly on small lots (Garcia et. al., 2022). Wegmann (2020) proposes a litmus test on whether a zoning policy should be contested for its inflexibility, asking "does a zoning category or other type of regulation prohibit everything but a single-family detached house on a large lot?"

Parolek (2020) also highlights financial barriers such as high development fees, cost inefficiencies for small-scale projects, and condominium registry costs. Garcia et. al. (2022) find that small developers often struggle to access capital and secure financing at manageable rates. Development fees, which are

typically charged on a per-unit basis regardless of size, can discourage multiplex projects in favour of equivalently sized large, detached houses on the same site (Parolek, 2020). Additionally, small projects face cost inefficiencies as they are subject to many of the same fixed costs as larger developments but do not benefit from the same margins, capitalization rates, and valuations. Navigating a regulatory and financial environment designed for larger projects requires significant experience, access to capital, and a higher risk tolerance, which smaller developers may lack (Parolek, 2020). Finally, higher condominium registry costs, such as legal fees and vendor's insurance, results in higher fixed costs for small projects in comparison to larger ones (Parolek, 2020).

Neighbourhood opposition presents another significant challenge in areas with "planning by discretion" or negotiation regimes, according to Parolek (2020). Neighbourhood opposition to gentle density often causes costly delays due to variances, rezonings, and appeals. These delays impose disproportionately high costs on smaller projects, making them less attractive and potentially infeasible as development options (Parolek, 2020).

Parolek (2020) and Garcia et. al., (2022) find that these barriers have limited Missing Middle housing to such an extent that there is no established industry standard for purposes of comparison and evaluation. As a result, builders, lenders, developers, committees of adjustment, or planners have little institutional knowledge to draw upon when pursuing or evaluating multiplex projects. Due to the nascent state of

the Missing Middle development industry, Parolek (2020) suggests that this housing type remains the domain of small development firms.

To address these challenges, scholars recommend several similar policy changes that can help municipalities of all types facilitate Missing Middle housing (Parolek, 2020; Garcia et. al., 2022). Flexible form-based zoning by-laws, which regulate how buildings are constructed rather than how they are used, are more effective than density-based by-laws. However, these codes must be broad enough to accommodate buildings that are inherently larger than detached dwellings (Wegmann, 2020). Eliminating off-street parking requirements can also enable more multiplex housing on a wider range of urban lots (Parolek, 2020). Municipalities looking to revise their zoning by-laws to support Missing Middle housing should review existing, often legally non-conforming, local examples before undertaking a comprehensive by-law review. Identifying and removing code-based barriers is crucial to making Missing Middle housing development feasible in practice, rather than just in theory (Parolek, 2020). Garcia et. al. (2022) acknowledge that various market factors beyond the control of planners, such as financing, construction, and labour costs, pose challenges to the viability of Missing Middle housing forms.

3.3. Notable Missing Middle Housing Policies

The cities of Minneapolis, United States, and Auckland, New Zealand are often cited for their bold and successful approaches to addressing

housing crises through zoning reform. While other Canadian jurisdictions such as Edmonton, Alberta and the Province of British Columbia have initiated similarly ambitious reforms, the efforts in Minneapolis and Auckland have been examined and lauded for their effectiveness in achieving housing goals through planning changes. These case studies offer compelling models for the City of Toronto to consider when expanding the Multiplex By-Law.

3.3.1 Minneapolis, United States

The Minneapolis 2040 Plan implemented comprehensive land use reforms in Minnesota's largest city. Presented in 2018 and adopted in 2019, the Plan pursued a scaled approach to upzoning, beginning with the allowance of three units as-of-right in the city's outer areas (City of Minneapolis, 2019). The Minneapolis zoning code consists of eight residential districts with graduated density permissions. Previously, four of these eight districts permitted only "single-family" or "two-family" dwellings. These four districts were revised to permit "multi-family" dwellings of three or more units, aligning their permissions with the remaining four districts (City of Minneapolis, 2019). Additionally, higher unit counts and density permissions, alongside reduced setback requirements, were permitted in areas closer to downtown, nearby corridors, and within walking distance to public transit stops (City of Minneapolis, 2019). Minneapolis also abolished minimum parking requirements, permitted accessory dwelling units, and introduced maximum lot size requirements to discourage inefficient land use (City of Minneapolis, 2023).

In recent years, Minneapolis has led comparable cities in the American Midwest in housing construction, despite having more modest population growth than some of its counterparts of approximately 1% a year (Maltman, 2023). However, much of this growth has been driven by large apartment buildings with over 20 units, rather than multiplexes. In fact, only 2% of overall housing permits were for multiplexes (Liang, Staveski & Horowitz, 2024). This supports the hypothesis that while multiplexes are an important part of any housing crisis solution, they are unlikely to drive significant supply growth compared to large apartments buildings, which are more attractive to established developers. Nonetheless, Minneapolis' strong housing growth has led to slower rent growth than in comparable cities and other cities in the Minneapolis—St. Paul region (Liang et. al., 2024).

3.3.2 Auckland, New Zealand

Auckland, New Zealand implemented a large upzoning initiative through its Unitary Plan in response to similar housing supply challenges facing Toronto. The Auckland Unitary Plan upzoned most, but not all, of its residential land, organizing the city into four newly harmonized residential zones (Greenaway-McGrevy & Jones, 2023). These zones granted density and form permissions based on location, proximity to transit, and distance from the Central Business District (Greenaway-McGrevy & Jones, 2023). Nearly 75% of Auckland's residential land was upzoned to permit a minimum of three units as-of-right, with increasingly higher Floor Area Ratio (FAR) limits depending on zone. The highest zoned category, the Terrace Housing

and Apartments Zone, permitted heights of up to 16 metres, a maximum FAR of 2.5, and no limit on the permitted number of units (Greenaway-McGrevy & Jones, 2023).

Following the implementation of the Auckland Unitary Plan and its rezonings, multifamily housing starts increased rapidly, attributable to both net new housing starts and the reallocation of development from non-upzoned outer areas to newly upzoned urban areas (Greenaway-McGrevy & Phillips, 2023). Within the first five years of the plan, Auckland had issued 21,808 new housing permits, representing 4% of the city's entire housing stock (Greenaway-McGrevy & Phillips, 2023). This housing growth was largely attributed to larger apartment buildings. An economic analysis comparing upzoned areas with non-upzoned areas and other New Zealand cities found significant relative reductions in rents. Rents in Auckland

were found to be 14-35% lower than in a controlled “no-upzoning” counterfactual scenario and rent growth has fallen below income growth in the city (Greenaway-McGrevy, 2023; Maltman, 2023).

3.3.3. Discussion on Case Studies

As leaders in housing growth in their respective regions, Minneapolis and Auckland have slowed housing price escalation to manageable levels. As most of their housing growth was achieved through larger developments rather than multiplexes, these examples present a compelling case for more widespread land use liberalization. These cases demonstrate how cities can use planning and development processes to regain some control over housing costs in the face of broader economic pressures.



4. THE TORONTO CONTEXT:

With the passage of the Multiplex By-Law, the City of Toronto departed from decades of planning orthodoxy that reserved large areas of the city for inefficient, low-density land uses, leaving behind a legacy of economic and spatial exclusion. In its effort to rectify this legacy and usher in a new era of inclusion, the City implemented planning reforms aimed at opening residential lands to gentle density. This chapter discusses the existing planning context in the City of Toronto and examines the Multiplex By-Law and other related planning reforms intended to facilitate this new development landscape.

4.1. Tall and Sprawl: The Status-Quo in Toronto

Gil Meslin (2019), a prominent urban planner in Toronto, describes the city as “a place of all-or-nothing urbanism.” Historical apartment bans and Official Plan policies prioritizing the “stability” of residential neighbourhoods over nearly all other considerations have resulted in an urban fabric characterized by large areas of mostly detached homes with small pockets of high-rise apartments. This divide is particularly pronounced in Toronto’s post-war inner

suburbs, where large “towers in the park” communities punctuate major intersections amidst sprawling low-rise, low-density suburbs (Valzania, 2022). Before the passage of the Multiplex By-Law, Toronto’s much needed housing growth was limited to a few areas in the downtown core, a handful of Urban Growth Centres, and along designated “Avenues” (Meslin, 2019). The 1912 walk-up apartment ban, which prohibited most apartment typologies in residential neighbourhoods, cemented a legacy in Toronto’s housing landscape often bemoaned as “Tall and Sprawl.” While some historic walk-up apartments exist in some of Toronto’s central and sought-after neighbourhoods like Rosedale, the Annex, Forest Hill, Roncesvalles, and Cedarvale (Meslin, 2019), much of Toronto has become a city dominated by just two housing types: the low-rise detached home and the high-rise apartment unit.

The Multiplex By-Law, alongside other related policies, marks what could be the most significant change to Toronto’s housing landscape in generations. For the first time in over a century, residential neighbourhoods will now be open to modest housing growth. While

the majority of Toronto's housing growth will continue to come from high-rises in Urban Growth Centres, the Multiplex By-Law now allow buildings with up to four units to be built on any residential lot city-wide.

4.2. Expanding Housing Options in Neighbourhoods

The Expanding Housing Options in Neighbourhoods (EHON) initiative encompasses a set of planning reforms designed to diversify land use in Toronto's designated "Neighbourhood" areas. While this study primarily focuses on the Multiplex and the Garden Suites By-Laws, the EHON initiative also includes measures such as eliminating minimum parking requirements, permitting neighbourhood retail, and allowing small apartment buildings on major streets. EHON was launched in June 2020 and remains an ongoing planning initiative.

4.2.1. The Multiplex By-Law

The Multiplex By-Law, By-Law 474-2023, passed by Toronto City Council on May 10, 2023, with a 18-7 vote in favour, permitted duplexes, triplexes, and fourplexes as-of-right on any residential lot across the City of Toronto (2023). While the City's existing low-rise residential zone classifications that previously delineated the permitted scale of housing density (Residential Detached [RD], Residential Semi-Detached [RS], Residential Townhouse [RT], and Residential Multiple [RM]) remain in force, all of these residential zones now include permissions for as-of-right fourplexes, raising questions about the need for these

differentiated zones.

Beyond permitting four units as-of-right, the enabling by-law was designed with feasibility in mind, granting multiplex buildings further permissions relative to those permitted for detached homes on the same lot. These multiplex-specific permissions include:

- Permitted building heights the greater of 10 metres, (typically three storeys for most designs), or a higher site-specific permitted building height, exempting multiplexes from shorter site-specific height regulations.
- Maximum building depths of 17 metres on all lots, with permitted depths of 19 metres on lots deeper than 36 metres.
- Minimum side yard setbacks aligned with the narrowest site-specific permissions applicable to detached houses.
- Up to two platforms (e.g., balconies) per multiplex unit, with one platform per unit now allowed on street-facing main walls.
- Conversion of lawfully existing detached, semi-detached, and townhouse dwellings into multiplexes of up to four units.
- Conversion of lawfully existing parking spaces into multiplex units.
- Exemption from all maximum Floor Space Index (FSI) regulations, (i.e., the maximum allowable ratio between a building's total floor area and its lot area, known elsewhere as Floor Area Ratio [FAR]).

Among these new permissions, the FSI exemption is likely to have the most transformative impact on multiplex feasibility. Historically, FSI regulations have limited permissible building sizes below other existing building envelope regulations. While this has traditionally served either to limit the size of detached dwellings or get extended through minor variances, the FSI exemption will allow for larger multiplex buildings with larger units than their detached house counterparts on equivalent lots. Alongside greater height and depth permissions, the FSI exemption will allow for more attractive, liveable multiplex units in residential neighbourhoods.

4.2.2. Garden Suites

The Garden Suites By-Law, By-Law 101-2022, passed by Toronto City Council on February 2, 2022, with a 19-5 vote in favour, permits one garden suite, a small ancillary dwelling unit usually in the rear yard, as-of-right on any residential lot across the City of Toronto with sufficient space to support one (City of Toronto, 2022). This goes beyond existing permissions for laneway suites, which were previously permitted as-of-right in the rear of any lot with laneway access. The Garden Suites By-Law permits one self-contained ancillary dwelling unit on an existing lot that may not be severed and sold as an individual property. Garden suites are subject to various site-specific regulations and exemptions regarding soft landscaping, rear and side yard setbacks, building separation, angular planes, heights, and lot coverage. Generally, garden suites can have up to two storeys, subject to site-specific limitations. Notably, the Garden Suites By-Law

increases the total as-of-right zoned capacity on any given residential lot to five total units: four in a multiplex and one in a garden suite.

4.2.3. Other EHON Initiatives

Toronto's EHON Initiative aims to redefine neighbourhood life as we see it through planning changes that respond to the needs and desires of urban residents in the 21st century. As part of EHON, the City of Toronto has eliminated minimum parking requirements and implemented a "maximum parking requirement" policy that caps parking spaces for new residential developments. This plan includes new minimum requirements for bicycle parking and revised minimum requirements for accessible parking. Additionally, the ongoing Major Streets Study, another EHON initiative, seeks to expand housing availability and access across the city. Passed on May 23, 2024, the Major Streets Study permits small apartment buildings of up to six stories and 60 units on "Major Streets" (as defined in existing Official Plan maps) throughout the city, surpassing the initial recommendation of 30 units by planning staff.

4.3. The Committee of Adjustment

Toronto's Committee of Adjustment rule on minor variance applications throughout the city. According to the 2023 Altus Group City of Toronto Committee of Adjustment Benchmarking Study, "a minor variance is a permission from a municipality for a property owner to obtain a building permit even though their plans do not exactly conform with the Zoning By-Law" (Beheshti, 2023). Section 45(1) of the Ontario Planning Act outlines the criteria

that must be met for a planning application to be considered a minor variance:

- Is the application minor?
- Is the application desirable for the appropriate development or use of the land, building or structure?
- Does the application conform to the general intent and purpose of the Zoning By-law?
- Does the application conform to the general intent and purpose of the Official Plan? (Beheshti, 2023)

The Committee of Adjustment that oversees these applications is an “independent, quasi-judicial administrative tribunal that hears and decides on applications for minor variance, consent, and the extension or enlargement of legal non-conforming uses under the Planning Act” (Chief Planner and Executive Director, City Planning, 2023). The Committee consists of 35 members across four districts: Toronto—East-York (TEY), North York (NY), Scarborough (SC), and Etobicoke—York (EY). These members are appointed by City Council for concurrent terms with the City Council itself (Beheshti, 2023). The TEY Committee of Adjustment handles the largest volume of minor variance applications, processing 45% of all applications in the City of Toronto between 2018 and 2021 (Beheshti, 2023).

Approval rates at these Committees of Adjustment are remarkably high; 96% of minor variance applications receive committee approval, including 95% of applications for new

residential dwellings (Beheshti, 2023). This high approval rate suggests that most minor variance applications seek reasonable alterations that align with the spirit of an overly rigid Zoning By-Law. According to Beheshti (2023), “a high approval rate shows that most minor variance requests conform to the City’s Official Plan and the overall intent of the Zoning By-Law, but the Zoning By-Law’s specific provisions lead to a high degree of unnecessarily discretionary approvals rather than as-of-right allowances.”

For the 4% of minor variance applications that are rejected, applicants can appeal to the Toronto Local Appeal Body (TLAB), a local appeals board unique to the City of Toronto within Ontario. In 2021, only 5.6% of minor variance applications were appealed to the TLAB (Beheshti, 2023). Ontario Bill 23 has since outlawed most 3rd party TLAB appeals, which were once a major barrier to development. Now, appeals can now only be made by “specified persons,” such as utilities providers, under Section I of the Planning Act, effectively excluding the general public from appeal eligibility.

Timelines at the Committee of Adjustment and TLAB can be particularly long, leading to costly project delays. On average, a minor variance application takes 95 days from filing date to a decision, more than three times the required service standard mandated by the Ontario Planning Act (Beheshti, 2023). If a TLAB appeal is filed, it can add an average of 333 days to an application on top of the initial Committee of Adjustment decision time (Beheshti, 2023). These delays increase a project’s total development cost, adding 8%-14% to

construction costs annually (based on average TLAB timelines) and 2.7-3.5% quarterly (based on average Committee of Adjustment timelines) (Beheshti, 2023).

With the anticipated increase in minor variance applications following the Multiplex By-Law, Committee of Adjustment timelines are expected to lengthen further. Comprehensive reform of the Zoning By-Law to account for the most commonly sought and granted minor variances could eliminate the need for

applications that are essentially “rubber stamped.” According to Beheshti (2023), the City expends significant time and resources on minor variance applications that would be unnecessary if the Zoning By-Law were updated to remove the need for the most commonly sought and approved variances. Beheshti (2023) further warns that the City of Toronto risks a “significant expansion of Committee of Adjustment volumes” if building envelope regulations remain too restrictive to facilitate as-of-right multiplex development.



5. METHODS:

This study was conducted using a combination of semi-structured interviews and policy analysis. The lack of publicly available permit data limited the ability to fully analyze multiplex development in the City of Toronto. However, interviews with key stakeholders involved directly in the field provided a broad and inclusive understanding of the industry.

5.1. Semi-Structured Interviews

To identify potential interview candidates, a set of criteria was developed to target individuals with a wide range of expertise related to multiplex housing in Toronto. These candidates included professionals from the private housing development industry, private planning consulting firms, other industries supporting housing development, the Toronto City Planning department, Toronto City Councillors and their political staff, and analysts monitoring changes in Canadian housing policy. Although a list of sample questions was prepared in advance, the semi-structured nature of these interviews meant that the discussions varied significantly with each participant. While some core questions were asked to all interviewees, many questions were developed organically

during the conversations, based on the specific expertise of each participant and the need to bridge information gaps.

The interview process was guided by an interview guide developed early in the research process. Although most interviews strayed from this guide, with questions tailored to each interviewee's specific area of expertise, the sample questions provided a general framework for this study's objectives. The guide is included in the appendix of this study (Figure 3).

Throughout the interview process, several key topics emerged that warranted further exploration, including development charge policy, criteria for attaining CMHC-backed financing, often-exploited policy loopholes, differences in rental and condominium strategy, Committee of Adjustment processes, market demand and consumer preferences, and economic barriers to development. Particular attention was given to understanding CMHC's MLI Select financing program, the "4+1" development charge loophole, commonly sought minor variances, uncertainties in the development sector, typical financing structures, and broader impacts on housing affordability

and access. As the interviews progressed, the guide was expanded to include questions related to these emerging topics.

5.2. Anonymized Profiles of Participants

A total of ten individuals with knowledge and expertise with multiplex development and housing policy in Toronto were interviewed for this study. Their profiles are as follows:

Participant 1: Urban Planner with the Toronto City Planning Department EHON Team

Participant 2: Urban Planner with the Toronto City Planning Department EHON Team

Participant 3: Urban Planner with the Toronto City Planning Department EHON Team

Participant 4: Real Estate Developer with ongoing multiplex projects in Toronto

Participant 5: Real Estate Developer with ongoing multiplex projects in Toronto

Participant 6: Urban Planning Consultant with expertise in multiplex planning applications

Participant 7: Planning Advisor for an elected Toronto City Councillor from an urban ward

Participant 8: Urban Planning and Land Economics Consultant

Participant 9: Housing Policy Analyst

Participant 10: Toronto City Councillor from a suburban ward (Not quoted in study)



6. THE STATE OF MULTIPLEX DEVELOPMENT IN TORONTO:

The introduction of the Multiplex By-Law marked a new chapter for small-scale infill development in the City of Toronto. Designed by Toronto City Planning and passed by City Council, the by-law aimed to enable multiplex development from the moment of its ratification. However, developers are still seeking to navigate this new landscape, working to understand the optimal conditions—site, financial, and market—that will make this typology viable. Meanwhile, the EHON team is monitoring the location, form, and applications incurred by multiplex projects. Developers are exploring the most efficient land use within as-of-right permissions, identifying financing opportunities, and determining optimal exit strategies. This chapter delves into the current state of the multiplex development industry in the City of Toronto.

6.1. How the Multiplex By-Law was Designed

6.1.1. Goals of the Multiplex By-Law

Toronto's Multiplex By-Law was designed with primary objectives. First, to permit multiplexes of up to four units as-of-right on any residential

lot in the City of Toronto. Second, to ensure that these buildings are feasible to build within the by-law's framework. The EHON team at Toronto City Planning began by reviewing the enabling by-laws and multiplex applications in areas within the former cities of Toronto and East York where multiplexes were already permitted. Their findings revealed that many existing multiplexes within these areas have legal non-conforming status, and nearly all new multiplex applications required several variances from the by-laws. By studying these applications, the EHON team sought to answer a crucial question: "Do the existing multiplex by-laws from the former cities actually allow multiplexes to be built as-of-right today?" Their work was centred on ensuring that multiplex development is not only legal, but also feasible.

6.1.2. Consultation Findings

The EHON team concluded that the existing multiplex by-laws in Toronto, even if applied city-wide, would not generate feasible buildings. This conclusion came after conducting a series of pro-forma analyses under the then-existing as-of-right building envelope permissions. Building envelope permissions designed for

detached or semi-detached homes were found to be inadequate for accommodating the spatial and circulation needs of multiplex buildings. Recognizing this, the team explored what building envelope permissions were necessary to create feasible, liveable units. The team explored expanding maximum building lengths, heights, and floor space index (FSI), balancing architectural character and open space requirements with revised zoning standards, and aligning envelope permissions with building code requirements for multi-unit dwellings. The team embarked on an extensive consultation process that included public surveys, meetings, and a panel of small-scale developers and architects with multiplex experience, convened by the Toronto Urban Land Institute.

The Urban Land Institute (ULI) Technical Assistance Panel played a critical role in the by-law design process. Panel members “stressed that as-of-right construction is critical because it gives more certainty on timeline, amount of money, and the number of approvals that it would take for multiplexes to get built” (Participant 2). This certainty is critical for project feasibility in an industry consisting of small, entrepreneurial developers who may lack the expertise to navigate complex regulatory processes, financial models, and unpredictable planning committees. The EHON team determined that the then-existing zoning regulations allowed for building envelopes that were unattainable within the maximum FSI permissions, leaving an overly restrictive redundancy in the by-law. Participant 3 explained how the team “took the approach that from a form-based perspective, the zoning envelope could be regulated with appropriate

setbacks, stepbacks, and heights” rather than through FSI restrictions. Consequently, the by-law eliminated FSI restrictions for multiplexes and expanded building depths beyond what is permitted for detached dwellings.

The EHON team and the ULI Panel also reviewed several pro-forma models demonstrating that multiplex developments have very slim profit margins. They found that the City’s Development Charge regime constituted a significant portion of overall costs. Participant 3 noted that the EHON team found that “development charges on individual units were what made or broke multiplex projects from actually seeing the light of day.” Further, the condominiumization process in Ontario was found to be costly and labourious—provincial condominium law makes no distinction by condo size, imposing the same legal requirements on a fourplex condominium application as on a 400-unit tower. As a result, the EHON team made recommendations to look into changes to municipal fee structures for Plan of Condominium applications and to create a streamlined approvals process for small-scale condominiums.

6.2. The Current Multiplex Development Environment

6.2.1. Are Multiplexes Being Built?

Exactly one year after the Multiplex By-Law was passed by Toronto City Council on May 10, 2023, only 97 multiplex permits had been issued under the new framework, though more permits are currently under review. Participant 1 indicated that “[multiplex adoption] is

currently at a modest pace,” while Participant 7 observed that “nobody is really building multiplexes” at the moment. Although multiplex development in Toronto to date has been slow, the gradual start is not necessarily cause for alarm. Participant 8 likened the trajectory pattern of major planning changes to the shape of a hockey stick:

“In planning, your uptake expectation will look like a hockey stick. You’re going to see a little bit of uptake [in the first few years], and then you’ll see [uptake] take off as you work through the kinks [of this new framework].”

The development industry often cannot immediately respond to new policy changes due to a lack of institutional knowledge regarding permissions, financial models, financing opportunities, marketability, and a lack of comparable projects. Uncertainty at Committees of Adjustment, who have limited experience with this new framework further contributes to this slower start. It will likely take years before Toronto sees significant uptake of multiplex development.

6.2.2. Where are Multiplexes Being Built?

Despite the new city-wide multiplex permissions, many participants noted that most new multiplex projects are being built within the former cities of Toronto, York, and East York. These areas have historically permitted multiplexes in certain neighbourhoods and are characterized by greater walkability, transit access, and a more urban feel than the rest of the amalgamated city. Despite the larger lot sizes and lower land values in Toronto’s inner

suburbs, multiplex projects in Toronto’s urban areas benefit from greater cultural acceptability and market demand for multifamily units.

Participant 6 noted that development interest in the urban core is mostly driven by development and investment professionals, while the limited interest that does exist in the inner suburbs is often driven by homeowners themselves seeking to build, convert, or permit additional units on their own property.

6.2.3. Monitoring Multiplexes

When the Multiplex By-Law was passed, Toronto City Council directed City Planning to monitor multiplex permits, construction, and rental prices to better understand the outcomes of the policy in its initial iteration. The EHON team implemented a multiplex monitoring program for the first 200 multiplex permits or by the first quarter of 2026, whichever comes first, to report back to council. The EHON team aims to assess the impact of densification within designated “Neighbourhood” areas on infrastructure such as sewers, transportation, and social infrastructure, as well as the architectural impact of these new building types. Other municipal departments, including Urban Forestry, Construction Services, Toronto Water, Toronto Hydro (electricity), the Toronto District School Board, and the Toronto Catholic District School Board are monitoring multiplexes to evaluate and forecast impacts on infrastructure under their purview. The EHON team is also monitoring on-street parking permit applications, where permitted, and the presence of off-street parking in multiplex permits.

Notably, the EHON team is monitoring the presence of minor variances and other planning-related permissions to determine if these typologies require variances before obtaining a building permit. The EHON team is monitoring built forms for multiplex typologies not initially foreseen in drafting the by-law and built form variances related to ensuring financial viability such as those seeking greater height, length, and setbacks. To date, a significant number of multiplex permits have been issued with variances, with height related variances such as building and main wall height appearing most often.

6.2.4. Conditions to Realize a Multiplex Project

6.2.4.1. Site Conditions

Although the Multiplex By-Law expanded the availability of potential redevelopment sites, many residential plots remain unsuitable for this type of intensification. A typical multiplex developer will look for standard dimension lots with a minimum width of 25 feet (7.6 metres) and a depth of at least 120 feet (36.5 metres). In CR (Commercial Residential) Zones, a developer could consider narrower lots due to the absence of side setback regulations. On very wide lots with widths exceeding 50 feet (15.2 metres), a developer might consider a site severance to construct two adjacent multiplex projects. A deep site is crucial for a viable multiplex project, as building depth permissions are greater on sites over 36 metres deep. A site must be spacious enough to accommodate liveable and marketable units while providing space for non-revenue generating area for

egress, garbage, and utilities. Additionally, a deep site allows for space to construct a garden or laneway suite. Laneway access is preferred to facilitate rear parking and laneway suite access without requiring access through a front yard, though sites with laneways are not widely available throughout Toronto. Designing and constructing a compliant multiplex on a smaller site is more difficult and typically incurs more minor variances than projects on larger sites. Conversely, larger sites can present financial viability challenges due to higher land costs. Lot sizes in the former cities of Toronto, York, and East York are typically smaller, while lots in the inner-suburban former cities of Etobicoke, North York, and Scarborough are typically larger. Finally, access to servicing infrastructure such as sewers, power, and fire hydrants is required for any infill multiplex development site, though this is rarely a barrier to development within the City of Toronto.

6.2.4.2. Financial Conditions

A multiplex project, like any private development project, will require a reasonable expectation of profit in order to proceed. Only projects that “pencil” (i.e., are viable, forecasting a positive return on investment for all involved) will get built, with many projects remaining unbuilt due to difficult financial conditions. Like any private developer, a multiplex developer must account for the cost of land, building costs (hard costs), labour and professional services (soft costs), ongoing costs to hold property (including taxes and insurance), and financing costs. Land value typically constitutes the largest component of total development cost in the City of Toronto, so finding reasonably priced,

serviced land is critical to a project's financial success. Unlike a standard developer building large real estate projects, multiplex developers typically face higher proportional fixed costs, including land, which drive down expected profit margins. Depending on the site and scale of the project, the total development cost for a multiplex project generally ranges from \$3-5 million.

To be financially viable, a multiplex project must either conform with as-of-right zoning permissions or be able to attain variances at minimal cost. Thus, building envelope regulations must allow for enough revenue-generating square footage within multiplexes to recover costs. Prior to the Multiplex By-Law, it was difficult to build a financially viable multiplex under then-existing zoning by-laws governing building envelope and unit counts without incurring significant and expensive zoning challenges. Once a project is deemed financially viable in a pro-forma financial model, a developer must demonstrate their ability to put up equity, attract investors, and carry loans in order to proceed. As long as the debt is reasonably priced, a developer will aim to maximize their loans while minimizing their own and their investors equity. Ultimately, a developer must reasonably expect to attain a baseline sale or rent price above their total development cost to justify their project and are therefore constrained by both market forces and their competitors' products.

6.2.4.3. Market Preferences

Private developers looking to sell or rent their

product are governed by the realities of costs and market demand. In a supply-constrained environment, developers and landlords face less competition for their units than in a market with healthy supply levels; however, they must still respond to the market's expectations by providing demanded living space and amenities to justify their asking price. Participant 9 suggested that an urban multiplex unit must be an attractive and competitive alternative to a suburban townhouse to be marketable. As such, marketing multiplex units in the inner suburbs has proven difficult. Participant 6 remarked that "there is just no market for a house-sized multiplex unit in [the inner suburbs] yet." The typical end-user of a multiplex unit is someone willing to compromise on space and detached living in exchange for location and neighbourhood amenities. Accordingly, the nascent multiplex development industry is responding to market demand by building apartment-sized multiplex units within Toronto's urban core.

Moreover, it is nearly impossible to market a larger urban multiplex unit or a multiplex unit of any size in the inner suburbs without off-street parking. Participant 4 stated that providing off-street parking is "basically essential" for end-user buyers of multiplex units in the price range of a two- or three-bedroom unit. Parking can account for approximately \$200,000 of a unit's value, and with typical profit margins for a multiplex project ranging around \$400,000, the ability to sell a parking spot can "make or break" a project.

6.2.5. Developer Profiles

The multiplex development industry is characterized by small firms, independent entrepreneurs, and homeowner developers—a stark contrast to the institutional development firms whose names and large projects have become widely recognized in Toronto and beyond. Multiplex developers range from those looking to purchase property to build multiplexes for sale or rent, to those looking to add units to their existing property and hold them for personal use. Participant 6 remarked that multiplex development is currently the domain of “mom and pop developers,” adding that “the big developers are not doing multiplexes.” Toronto City Planning has not been approached by institutional developers regarding multiplexes; rather, it is small-scale developers who have engaged significantly with the department on ensuring the feasibility of multiplex development in the city. Large developers are uninterested in pursuing these projects due to their small scale. For these firms, it is more efficient to build a 400-unit high rise apartment or a 400-home greenfield suburban community than to build 100 discrete infill fourplex projects, each requiring its own set of approvals, construction crews, servicing agreements, and management. Given the challenges of navigating a relatively untested development model without institutional knowledge and experience, only those willing to take on risk and carve out a niche are entering the market.

6.2.5.1. Small Developers and Entrepreneurs

The first wave of development in the multiplex

space is being driven by full-time entrepreneurs with access to capital. These developers are building viable business models by studying the specific processes for this housing type and closely managing a small number of projects. Participant 5, a developer with significant multiplex experience, stated that one could potentially build a successful development company with just two projects a year with fulltime management. According to Participant 8, multiplex development is a “new frontier [with] some people trying their hand at real estate development for the first time since the capital requirement isn’t as high.” Custom home builders, who have built their business around large, detached dwellings, are particularly well-positioned to enter this space thanks to their existing networks of homebuilding professionals, low overhead costs, experience with small-site development, and deep understanding of planning bureaucracy. However, multiplex development remains a difficult prospect for small developers due to their relative inexperience, limited access to affordable financing, and a higher sensitivity to costs compared to larger developers. Currently, there are few dedicated multiplex development firms in Toronto and few custom home builders entering the field due to these difficulties, as many are dissuaded by lower-than-expected returns.

6.2.5.2. A Typical Company Structure

Small-scale development firms in the multiplex industry might resemble early-stage start-ups or family businesses more than their larger, institutional development counterparts. These firms typically have no more than four full-time

staff, with each staff member performing multiple roles within the company. It is especially advantageous to have a multidisciplinary team with a range of capabilities when pursuing small-scale, complex, multifaceted projects. Participant 5's company, for example, has one staff member focused on planning and entitlements, consultant recruitment and management, and dialogue with the City of Toronto; another staff member manages the financial aspects of development, including investor outreach, debt and equity financing, and vendor meetings; and a third staff member oversees construction. Participant 4, a trained architect, designs their company's own buildings, prepares planning-related applications, and serves as construction manager. While small firms typically retain outside consultants for legal representation, surveying, and other professional services, there are significant cost-savings in assembling an in-house development team with diverse capabilities and qualifications.

6.2.5.3. Homeowner-Developers

The next expected wave of entrants into multiplex development is expected to come from homeowner-developers seeking to convert to redevelop their existing property. These homeowner-developers may be motivated by a desire to downsize on their property, supplement their income by renting their additional units while remaining on-site, or to house relatives in their own self-contained units. Over time, more homeowner-developers are expected enter the market after seeing multiplexes built in their neighbourhoods. Toronto City Planning has received significant interest from homeowners looking to convert

their existing dwellings into multiplexes through renovation or redevelopment, or to add an internal secondary suite within their existing building envelope. Participant 7 has seen interest from constituents seeking information on adding additional units to their properties and guidance on navigating minor variance applications. Despite new regulations that remove many planning barriers, the complexity of this development will likely deter many homeowners from pursuing redevelopment. As a result, multiplex development is likely to be more attractive to investor-developers purchasing bungalows, for example, than to bungalow owners themselves.

6.2.6. Development Timelines

Small-scale development projects like multiplexes typically have thin margins and can become infeasible due to delays in approval timelines. While planning approval timelines are notoriously slow for larger multi-unit developments compared to comparable jurisdictions, current timelines for multiplex projects in the City of Toronto are at manageable, albeit unpredictable levels. Toronto City Planning has made efforts to improve approval timelines to protect the viability of small-scale projects that require minimal review. Projects that conform to the by-law can apply directly for a building permit, a process that generally takes two months. Once a building permit is issued, construction timelines are usually predictable with minimal variation.

Projects requiring minor variances must gain approval at the local Committee of Adjustment, a process that can introduce significant

unpredictability. A standard Committee of Adjustment timeline typically takes approximately three months, accounting for screening, fee processing, review from other municipal divisions, and public notice. If minor variances are approved by the Committee of Adjustment and are not appealed, a developer can proceed with a building permit application. Recent provincial legislation limiting third-party appeals against minor variance applications has significantly improved timelines for projects requiring variances. However, if a minor variance is rejected by the Committee of Adjustment, the appeals process at the Toronto Local Appeals Body (TLAB) can add up to a year to the process.

Even within these frameworks, there can be wide variations in timelines. Participant 4 mentioned that they have experienced small-scale projects taking anywhere between six months to six years from land acquisition to receiving a building permit. Project delays and unpredictability in approval processes can result from various sources, including internal staff delays, difficulties in scheduling hearings with involved parties, and appeals. These delays can affect any non-conforming project, even those with full staff support and a clear expectation of eventual approval.

6.2.7. Development Strategies

6.2.7.1. The 4+1 Strategy

One of the most common multiplex development strategies in Toronto capitalizes on the City's Multiplex and Garden Suite By-Laws to create what is known as a "4+1"—a

fourplex main building with a garden or laneway suite in the rear yard. A 4+1 configuration represents the maximum level of intensification permitted as-of-right in "Neighbourhood" areas in the City of Toronto. However, many 4+1 projects will incur variances that require approval from the local Committee of Adjustment. Although multiplex projects with up to four units are exempt from development charges, 4+1 projects are subject to development charges on all five units, as will be detailed in Section 7.2.3. Additionally, projects with five or more units are eligible for preferred-rate CMHC-backed financing, making the 4+1 model particularly attractive to prospective multiplex developers. However, the decision to pursue a 4+1 project over other multiplex typologies will be based on a site-specific pro-forma evaluation that considers all associated costs and trade-offs.

6.2.7.2. Lot Severance

Intensification through the severance of an existing residential lot is a common practice in the City of Toronto. On large lots, typically those with a minimum width of 50 feet (15.2 metres), a developer can apply for a lot severance permit and create two adjacent 4+1 projects as-of-right, resulting in a total of 10 units. Severance applications are heard at the Committee of Adjustment and are frequently approved, either at the committee level or on appeal to the Toronto Local Appeal Body (TLAB). Severance can also occur on a laneway lot, allowing for both a garden suite within a 4+1 project and a standalone laneway suite on a newly severed property. A lot severance incurs a development charge on the severance itself

but allows a project to proceed without additional charges under the multiplex development charge exemption. In some cases, it may be possible to sever a particularly large lot into three new lots, enabling the development of three 4+1 projects totaling 15 units, as was the case in one project overseen by Participant 6.

6.3. To Condo or Rental?

At the outset of a project, a developer must decide on the tenure of their development: whether to pursue a condominium model, where each unit within a multiplex is sold individually, or a purpose-built rental model, where the units are rented out by the multiplex owner. This decision is typically integrated into a development firm's business model. Fundamentally, the decision between a condo or rental strategy involves deciding between a short-term exit with immediate returns through sales, or a long-term investment with returns through rental income and asset appreciation. The choice reflects a trade-off between time horizons—rentals take longer to generate returns but typically yield a greater future value. Most multiplex projects in Toronto to date have been rental developments, with the condominium ownership model remaining a relatively untested product.

6.3.1. Condominium Strategy

A developer may elect to pursue a condominium project to achieve a quicker return on investment. Once the project is constructed and the units are sold, the developer can recoup their equity, turn a profit,

and if successful, be well-positioned to begin a new development project. This model allows for the prompt repayment of loans and investor distributions, with shorter paths to repayment saving the developer large sums in interest accrual.

Typically, a condominium permit is sought after the issuance of a building permit and is finalized around the time of occupancy and sales. Although this timeline is somewhat flexible, if occupancy occurs as rental before condominium registration, the developer risks incurring rental replacement requirements for a five-unit project, such as a 4+1. While it is possible to sell an entire multiplex building before registering the individual units as condominiums, the individual units will typically command higher sale prices than the building if sold as a whole. Therefore, it is advisable for developers to avoid occupancy before securing a condominium permit.

Despite the short-term return and exit, condominium projects often have higher upfront costs compared to equivalent rental projects. Unlike for purpose-built rental projects, there are no specific monetary incentives for condominiums. Additionally, registering condominium units can be both logistically and financially challenging. Regardless of project size, the costs associated with submitting a Plan of Condominium application—including legal fees, specialty surveyance, 3D severance, and the application fee—can total up to \$100,000. These costs can be difficult to distribute across just four or five units, whereas large developments can more easily amortize the fixed costs over hundreds of units.

Furthermore, developers pursuing condo projects must obtain Tarion protection, a builder's warranty that insures themselves and their buyers against defects.

Small-scale condominium governance can also present unique challenges, reducing their appeal to buyers. In small condominium buildings, governance typically falls directly on the unit owners rather than a management corporation, requiring owners to collaborate with their neighbours to manage building regulation and maintenance. In multiplexes with an even number of units, such as a fourplex, decision-making deadlock can easily occur, leading to tensions and questions about management protocols. The management and maintenance of small condominiums are much closer to the day-to-day management of a detached house, but without the autonomy of full ownership and decision-making power. As a result, multiplex condominiums can present the worst of both worlds, with owners experiencing the drawbacks of both detached and multi-unit living.

6.3.2. Rental Strategy

A developer may elect to pursue a rental project as a long-term investment. While a condo project may appear more attractive on a pro-forma for a shorter-term, quick exit strategy, rental projects are better for those looking to build a real estate portfolio that yields returns through long-term rental income and asset appreciation on the land and units. Developers of rental projects are opting to keep their equity position (and that of their investors) illiquid with the expectation of seeing

returns over many years. Despite the smaller initial return on investment, rental developers can benefit from the compounding equity value of holding and collecting rent on their properties for decades. Toronto's high-rent environment makes this model attractive for developers aiming to build and hold properties as long-term investments. Multiplexes are an appealing product to renters because they offer rare access into established neighbourhoods at a lower price point than detached houses, with no obligation to buy. Additionally, the incentives to build purpose-built rentals over condos also include a federal HST rebate, lower development charges, a development charge deferral program, and preferred CMHC-backed financing rates. These incentives help narrow the gap in initial returns between rental and condo projects.

6.4. Financing Structures

A typical development will be financed through a combination of developer equity, investor equity, bank loans, and construction loans. A financing model will begin by determining the project's debt capacity—how much the project can afford in debt payments—and then works backwards to calculate the upfront equity required to proceed. While a developer aims to maximize borrowing to minimize their equity requirement, there is a balance to be struck to protect oneself against overextension. It is crucial to avoid debt levels that would be unserviceable should rates go up, while also not investing so much equity that it diminishes the developer's capacity to undertake future projects.

Developers usually begin by raising funds for their equity requirement by bringing on equity partners. Although the structure can vary by project and partners, a common approach is to meet the equity requirement with 25% from the developer and 75% from investor financing, assuming a reasonable return profile. This is often achieved through a General Partner/Limited Partner (GP/LP) structure. In this arrangement, the general partners are the developers and investors involved in the project's day-to-day management, while the limited partners supply equity without having managerial power. Limited partners are typically offered a fixed preferred return rate, which is fully paid out alongside the return of their initial equity, before the general partner sees their equity returned. Profits above the initial equity and preferred return are generally split between the partners on a negotiated basis.

Once a developer raises the necessary equity, they secure a loan to acquire the property. If the property is an existing inhabitable dwelling, this can be as simple as obtaining a residential mortgage from a Schedule I bank, following a standard home purchasing structure. In this case, approximately 70-80% of cost can be borrowed at conventional mortgage rates, with the remaining balance of 20-30% covered by cash equity. If the target property is vacant land or an uninhabitable structure, the developer will seek a land loan from a lender that lends on development land. Land loans are typically more expensive than residential mortgages, with rates of up to double those of mortgage rates and lower loan-to-value (LTV) ratios, providing 65-70% of costs by way of loan and requiring 30-35% in cash equity. While more expensive,

projects on such properties can generally avoid demolition or eviction costs and can have shorter timelines towards construction.

Once a project is nearing the construction phase, the developer will seek a construction loan. The loan is typically obtained after a thorough cost estimation and before the issuance of a building permit and is drawn upon on an as-needed basis throughout the construction process. For projects eligible for CMHC-backed financing, construction loans are available at preferred rates through CMHC lenders, as Schedule I banks are often reluctant to finance small-scale construction projects under \$10 million.

6.4.1. How the Developer and Investors Make Money

Upon project completion, a payout and profit-sharing framework might take the form of a waterfall structure, which can vary by project. First, all debts are paid off to banks and lenders. Next, limited partners and other investors receive their preferred return as outlined in their partnership agreements. Then, all initial equity contributions are returned. Finally, the remaining profits are divided between the general and limited Partners according to their negotiated agreement, with the general partner typically receiving a “promote” as part of their deal. A promote is a disproportionate share of the return relative to the equity they invested, serving as an incentive to maximize returns for all partners.

A pro-forma almost always accounts for a development fee to ensure a baseline salary for

the developer during the development phase. This fee is akin to a project management fee that would be required if a third party were hired by a landowner or investor to develop their land. Development fees vary by project but are typically set at market rates to cover overhead and salary costs.

6.5. The Future of Multiplexes in Toronto

Toronto's Multiplex by-law will be less than a year and a half old at the time of publishing. As such, it will take time and monitoring to assess the impacts of this policy. The Toronto City Planning EHON team is currently monitoring the early rollout of multiplexes in order to prepare for eventual policy review and changes. Given today's high-interest rates and borrowing costs, which are suppressing otherwise viable development projects, it is likely that multiplex development could become far more common in future years should interest rates decrease. Multiplex development may accelerate more quickly than the broader real estate development industry due to their particular sensitivity to interest rates.

6.5.1. The Housing Accelerator Fund

The Multiplex By-Law was passed just months before the federal government began conditioning additional housing funding through the Housing Accelerator Fund (HAF) on changes to municipal land use and development policies. The HAF is a tool designed by the federal government to exert pressure on municipalities to adopt more ambitious housing targets. Since then, many municipalities have

pledged similar zoning changes to facilitate multiplexes in agreements with the federal government. The City of Toronto and the Government of Canada signed a nearly \$500 million HAF agreement after the City committed to study a set of future changes requested by the Minister of Housing. These changes include increasing multiplex permissions to six units and four storeys as-of-right, changes to development approvals including through automation, pre-approval of upcoming CMHC multiplex model plans, and various other changes to how housing is built in Toronto. Considering the agreement between Mayor Olivia Chow and Minister Sean Fraser, authorized by City Council, it is likely that the Multiplex By-Law could be expanded soon. The City of Toronto is currently studying the viability of six-unit multiplexes in the Scarborough North ward, with a particular focus on incentivizing affordable housing development through greater density—a key target of the HAF.

6.6. Summary of Findings on Toronto's Multiplex Industry

The Multiplex development industry in the City of Toronto is still in its early stages, where various norms, best practices, and development strategies are being tested. The slow start to multiplex development indicates a lack of established practices in the industry. As the City of Toronto monitors the program and gains a

deeper understanding of the industry's development and planning needs, policy changes can be made to better facilitate this desired housing type. Multiplex developments face a greater set of challenges than larger-scale developments due to their heightened sensitivity to costs and difficulties in benefitting from economies of scale. The barriers facing the industry will be discussed in detail in the following chapter.



7. BARRIERS TO MULTIPLEX DEVELOPMENT IN TORONTO:

Multiplex development in Toronto faces a range of barriers which can be broadly sorted into three categories: planning, financial, and economic. Additionally, the North American cultural predilection favouring single-family housing contributes to resistance against multifamily housing. The most notable planning barriers include inflexible building envelope regulations, which often necessitate minor variance applications to Toronto's Committees of Adjustment, introducing delays and uncertainties to projects due to subjective decision-making and neighbourhood opposition. Financial barriers stem from the high fixed costs of small-scale development and policy misalignments between municipal development charges and federal financing. Economic barriers include high interest rates, challenges in securing appropriate financing, and rising labour costs. This chapter explores these barriers to multiplex development in detail.

7.1. Planning Barriers

"A lot of the problems in planning is the planning itself. With less planning, we might get better outcomes," said Participant 6, a prominent planning consultant in Toronto with

over 20 years of experience in various project sizes. A common concern heard regarding barriers to multiplex development in Toronto is the over-prescription of building envelope regulations, which render many projects infeasible on lots where they are otherwise permitted. While building envelope regulations serve important purposes related to the functionality, safety, and livability of dwelling units, many outdated or aesthetically driven regulations increase costs and hinder housing viability. The following sections outline the main planning regulations limiting multiplex growth in the City of Toronto.

7.1.1. Building Restrictions

Current zoning constraints make it difficult to develop a 4+1 multiplex development that meets CMHC financing standards within as-of-right permissions. While technically possible, these units would be small, cramped, and lacking livability, making them challenging to market. Existing multiplex building envelope restrictions typically allow for only one-bedroom units, including a basement suite, on a standard lot in urban Toronto. According to Participant 4, it is difficult to achieve more than "two house-like"

units on such a lot without requiring numerous variances. As a result, the multiplex by-law appears to fall short of facilitating livable and viable buildings as-of-right.

7.1.1.1. Lot Sizes

Typical lot sizes in the former cities of Toronto, East York, and York are small and narrow, whereas those in the inner suburbs of Etobicoke, North York, and Scarborough are larger. Building a multiplex on a small lot in Toronto's urban core where demand is highest is difficult due to building footprint restrictions. When accounting for setbacks on all sides and building depth restrictions, only a portion of a lot is useable. Developers often seek variances and relief from the by-law by demonstrating to the Committee of Adjustment that building a multiplex project on their lot within as-of-right permissions is infeasible. In the inner suburbs, lot sizes can be too large and expensive on a total land cost basis to justify replacing an existing detached house with a multiplex. Amortizing the high land cost of larger lots across just four to five dwelling units is more difficult in the inner suburbs where attainable rents at market rates are lower. Seeing the lack of a market for house-sized multiplex units in the inner suburbs, developers are more inclined to seek variances for additional, smaller units or to subdivide the lot to build two or more multiplexes. Accordingly, developers need lots that fit an appropriate size to facilitate viable multiplex projects.

7.1.1.2. Lot Coverage

Many areas of Toronto within the former cities

of Etobicoke, East York, North York, and Scarborough are subject to maximum lot coverage regulations, which limit the building footprint to a percentage (typically 30-35% in most residential zones) of the total lot area. Lot coverage exemptions are one of the most common minor variances for multiplex projects, as noted by Participant 6. This regulation can be problematic, often constraining a project beyond the reasonably desired planning outcome of the policy. Lot coverage restrictions can be redundant, as setback and building depth regulations already limit footprints by delineating a buildable perimeter on the lot. These regulations unnecessarily constrain building footprints beyond the setback and depth perimeter, making it difficult to build multiplexes and spread land costs across limited revenue-generating dwelling areas.

7.1.1.3. Unit Caps

As of May 2023, the City of Toronto allows four units and one garden suite as-of-right under the Multiplex and Garden Suites By-Laws, a significant shift from previous housing policies that reserved most residential lands for detached dwellings. While this change is laudable, it raises questions about the arbitrary nature of these unit caps. Lot sizes and capacities vary considerably across the amalgamated city with some smaller lots being unsuitable for multiplexes of any size and some larger lots being suitable for low-rise apartment buildings with many units. While four units and a garden suite as-of-right provide a good minimum permission across the city, greater unit permissions could be more flexibly determined by land size and servicing capacity.

7.1.1.4. Tree Preservation

Toronto boasts an extensive and well-protected tree canopy in its residential areas, supported by its park and ravine system. While Toronto's tree preservation policy serves the laudable goal of preserving the City's tree canopy, it can impede housing and infrastructure development. Toronto Urban Forestry designates Tree Protection Zones (TPZs) based on a tree's trunk diameter and protects a minimum radius from the tree within which "demolition, construction, replacement or alteration of permanent or temporary buildings" (City of Toronto Parks, Forestry & Recreation, 2016) is restricted. This can complicate urban infill projects such as multiplexes on lots replacing a small, detached dwelling. Multi-unit urban infill projects are valuable for tree protection on a larger scale by limiting the demand and need for greenfield development that often requires clearcutting trees on the urban fringe. A more flexible approach could guarantee tree preservation and facilitate infill projects. For example, greater flexibility in building footprints could be granted in exchange for preserving on-site trees that would otherwise limit project feasibility. This is often managed through the minor variance process, where setbacks, depth, and other regulations are waived to preserve a tree allowing for an irregular building footprint that is equivalent to the as-of-right permissions.

7.1.1.5. Parking

In October 2022, the City of Toronto became the second largest city in North America (after Mexico City) to abolish minimum parking requirements. This policy shift allows the

market, rather than central planners, to determine parking provision. In Toronto, parking is now provided based on a cost and demand framework, where parking is only provided when its market value justifies its cost of provision. Many multiplex developers find that parking spaces, bicycle parking, or exterior storage are highly sought after by end users. A parking space can significantly increase a unit's rent or sales price and bolster a project's viability. Consequently, many developers are incentivized to include parking spaces in their multiplex projects.

Incorporating parking into a multiplex project requires creative design and numerous variances, making the parking process more complex than siting the residential building itself. Participant 6 highlighted this challenge, noting that for "a fourplex [project] where everybody has a parking space, [the] project [effectively becomes] a project about parking with an accessory residential [building]." In Toronto, providing off-street parking spaces in a multiplex project will inevitably require variances on nearly any lot without a laneway. In the inner suburbs, projects will typically incur variances related to excess parking and reduced soft landscaping, whereas projects in the former City of Toronto, East York, and York will typically incur lot-size related variances.

7.1.2. Minor Variances

Most multiplex developments in Toronto require minor variances. According to Participant 5, "it is going to be rare to see [multiplex projects] go forward with zero variances." Before the passing of the Multiplex

By-Law, similar projects typically required Zoning By-Law and Official Plan Amendments to proceed, which are far more complicated and time-consuming processes that require approval from City Council. Since the by-law's passage, planning work for multiplexes has largely shifted to minor variance applications, which have shorter timelines and are heard by Committees of Adjustment. The ubiquity of minor variances in Toronto's development landscape has led to the emergence of an entire specialized planning consulting niche dedicated to handling these applications. Consultants assist clients and their architects by preparing the necessary applications and advising on project designs to eliminate the need for variances.

Toronto City Planning and the EHON team are currently monitoring multiplex building permit applications to track the frequency and types of minor variances being sought. Although this data has not yet been published, preliminary information indicates that the variances fall into two broad categories: lot size-related variances in the urban core and parking-related variances in the inner suburbs. The specific variances required for a project will depend on various factors, including a building's site conditions, neighbourhood conditions, tenure, and target market.

Lot size-related variances are commonly sought within the urban core due to the smaller lot sizes within the former cities of Toronto, East York, and York. These variances typically involve permitting larger building footprints and heights to enable the development of livable, marketable units. Common variances in this category include reduced side yard setbacks,

increased building depths, increased overall building heights, and increased main wall heights. Building and main wall height variances are particularly common to ensure livable basement spaces with adequate natural light and to create more marketable above-grade units with higher ceilings.

Parking-related variances are being sought both in the urban core and the inner-suburban former cities of Etobicoke, North York, and Scarborough, due to the importance of parking for marketability and project feasibility. Lot size-variances are less common in the inner suburbs, where larger lots are more prevalent. However, some developers are seeking variances to add additional units on sites with sufficient space and servicing capacity. Common parking-related variances include reduced front and rear yard soft landscaping, increased hard landscaping for parking areas, reduced side yard setbacks, reduced rear yard setbacks, permissions for rear driveways, permissions for uncovered front yard parking, and other site-specific variances. Many of these variances will help bring projects into conformance with historic legal non-conforming conditions across a block.

Despite the recent allowance of multiplexes on all residential lots city-wide, the practical need for minor variance applications makes it difficult, if not impossible, to proceed directly to a building permit. This challenge is also present for many new custom detached homes built on tear-down lots. However, ensuring smooth and rapid approvals for multiplex developments—which can increase housing stock by anywhere between one to four net new units on a given lot—remains a greater priority than facilitating

projects that merely replace an existing dwelling with a larger and more expensive one. Understanding how inflexible building envelope regulations can add cost and complexity to feasible infill developments—and render many other developments infeasible—is key to removing barriers to this important housing type which is characterized by bespoke projects.

7.1.3. Committee of Adjustment

Rigid building envelope regulations often funnel what should be straightforward building permit applications to one of Toronto's four Committees of Adjustment. These appointed, quasi-judicial bodies have long faced criticism for their subjectivity, deference to neighbourhood opposition, unfamiliarity with multifamily building requirements, and unaccountability to the City's broader housing goals. This process leads to inconsistent planning outcomes. The minor variance approval process at the Committee of Adjustment is notoriously unreliable, adding development risk to projects in terms of both outcomes and timelines. Participant 7 noted how "there is no consistency to [Committee of Adjustment] decisions." This planning uncertainty makes many lenders and developers hesitant to pursue projects, rendering otherwise viable projects infeasible and unable to secure financing. The growing volume of applications, frequent changes of committee members' opinions, and the apparent lack of predictable decision-making criteria significantly impact the feasibility of small projects. Without expanding the by-law to accommodate infill projects within as-of-right permissions, the need to seek approvals from inconsistent Committees of Adjustment will

remain one of the most significant barriers to widespread multiplex development.

7.1.3.1. Subjectivity and Arbitrary Decision-Making

Outcomes at the Committees of Adjustment are often unpredictable and subjective, heavily influenced by which committee members are present for a given hearing or which party can retain the best lawyer, architect, or planner to represent their case. Committees are frequently swayed by the most persuasive argument, often accepting opposition based on sentimentality and individual complaints rather than adhering to consistent criteria that align with planning goals and the necessity for project viability. As a result, many developers, planners, and architects study the decision-making patterns of individual committee members to tailor their applications and arguments accordingly, hoping to increase their chances of approval. This approach inevitably empowers those with the funds, connections, and resources to secure or oppose variances at the committees, creating an unequal system that undermines the planning process for both residents and developers.

7.1.3.2. Unfamiliarity with Multiplex Forms

As multiplex applications have shifted from rezonings to minor variances, Committees of Adjustment are more frequently encountering these somewhat novel forms at their hearings. While the Toronto—East York Committee of Adjustment is somewhat accustomed to unique lots, projects, and variance requests due to the non-uniform nature of the urban core, the inner-suburban Committees of Adjustment in Etobicoke—York, North York, and

Scarborough have less experience with the variance needs of gentle densification projects. These inner-suburban committees are unfamiliar with what constitutes a reasonable variance request necessary to make a multiplex project feasible. These committees have traditionally dealt with aesthetic variances for detached dwellings rather than functional variances related, for example, to financial viability and emergency access. As Participant 6 explained, “[Much] of what [suburban Committees of Adjustment] deal with [are applications to] make a house a little bit bigger, not [applications needed] to make [a multiplex] a little bit bigger [in order to] expand an emergency access from a third-floor unit” due to building code requirements. Consequently, these inner-suburban committees are less inclined to grant the variances necessary for multiplex projects to proceed.

7.1.3.3. Neighbourhood Opposition and Obstruction

One of the key objectives of allowing multiplexes as-of-right in Toronto was to quell unreasonable neighbourhood opposition to gentle densification. However, since most multiplex projects still require minor variances to proceed, neighbourhood opposition remains empowered to obstruct these projects at Committees of Adjustment. While the transition towards multiplexes is more commonly accepted in Toronto’s urban core where the typology already exists, it is less accepted in the inner suburbs where residents are used to large areas of detached dwellings. Although developers often consider neighbourhood sentiment when deciding which variances to seek, neighbours frequently attend

committee hearings to oppose a nearby multiplex project in its entirety by challenging variances needed for project feasibility. Toronto’s inner-suburban Committees of Adjustment are known for their sympathy to neighbourhood opposition, which can result in problematic conditions being imposed on a project or even the outright denial of reasonable variances. Although third-party appeals to committee decisions are now limited, the lack of experience with multiplex forms among committee members can allow neighbourhood opposition to gentle densification to persist.

7.1.4. Dual Egress

The Building Code of Ontario and the National Building Code of Canada mandate two means of egress (exits) for multi-unit buildings over two storeys, effectively requiring two separate sets of staircases in any multiplex building. This requirement is “extremely limiting” for “tight builds,” according to Participant 5. In most multiplex buildings on small lots, space is considerably limited, and an additional staircase can significantly reduce amount of floor space available for revenue-generating units. Moreover, this requirement often necessitates a double-loaded corridor design, which diminishes the quality of lighting, ventilation, and overall livability of apartment units while further consuming floor space.

Canada’s policy on dual egress is notably stringent compared to other countries. In most of the United States, dual egress is only required over three stories. Many European countries have more lenient requirements, ranging from

five storeys in the Netherlands, eight storeys in Spain, 20 storeys in Germany, and no limit in the United Kingdom (Speckert, 2023). Although this policy is ostensibly based on fire safety protocols, advancements over the 20th century have rendered it redundant and overly restrictive. While this issue falls outside the jurisdiction of municipal planning, this restriction appears to be nearing its end, with jurisdictions including British Columbia and Ontario reviewing the policy. In Toronto, developers can file an Alternative Solution Application, allowing a single egress design to be approved if other fire safety measures are implemented. While this process adds additional costs, it can be worthwhile in terms of feasibility, as it increases the proportion of revenue-generating floor space and enables the creation of more attractive, marketable apartment floorplans.

7.1.5. Inaccessibility of Information

Understanding what can be built on a piece of land is a crucial first step in any development process. The City of Toronto has made strides to make zoning information accessible to the public, with most zoning documents available online both in text format and through an interactive map. However, significant information gaps remain. Toronto, as a recently amalgamated city, still enforces the zoning by-laws of its former cities. While the post-amalgamation Zoning By-Law 569-2013 is available online, the zoning by-laws of the former cities are often elusive and typically not accessible online. These zoning by-laws may only be available as hard copies at City of Toronto offices or through planning consulting firms. Without easy access to this information,

many developers, particularly prospective homeowner developers, may choose to skip over a site or not develop their land. Participant 8 noted that the “[Lack of] information on what you are able to do with your property or what restrictions exist is a barrier to development.” This barrier is especially challenging for those outside the industry, those who lack detailed policy analysis skills, or those without access to the necessary documents seeking to build a multiplex.

7.1.6. Development Unpredictability

It is surprisingly common for developers to purchase land in Toronto without knowing exactly what they can build on it or what permits they’ll need. The scale of development potential can vary widely, and a developer might only fully understand their site’s potential after they have already begun the development process. Much of this unpredictability stems from human error and the varying opinions and attention to detail among permit reviewers. As Participant 4 explained, this is to be expected, saying that it “doesn't mean [the systems are] systematically unfair. [These are] huge, complicated systems” prone to human error. Participant 4 mentioned a project where a condominium permit was delayed over a turning radius that was deemed substandard, despite the building already being constructed with all necessary permits. Participant 5 highlighted the unpredictability in securing variances due to significant differences of opinion among Committee of Adjustment members. Consequently, Participant 5 only proceeds with projects that are viable under the most conservative estimates; if a project cannot

pencil without any variances being granted, they choose not to pursue it. Development unpredictability has become an inevitable challenge in Toronto that adds significant cost and time to projects. This is particularly problematic for those relying on institutional financing, who have a higher sensitivity to cost and stricter development timelines. For some prospective developers, the alternative to navigating this risk is simply choosing not to build housing at all.

7.2. Financial Barriers

7.2.1. Scale and the Fixed Cost of Small-Scale Development

The primary financial barrier facing multiplex projects is the inability to achieve cost savings through scale. Large developments benefit from economies of scale by building many hundreds of units at once on a single site. While smaller wood-frame buildings have lower per-square-metre construction costs compared to larger concrete buildings, small-scale infill developments like multiplexes face higher per-unit costs across most other metrics. The multiplex development industry remains small partly due to high fixed costs and the difficulty of spreading those costs over just a few units. Participant 4 noted that many of these fixed costs are similar for both midrise and multiplex projects, leading prospective developers to opt for larger midrise projects to leverage economies of scale. Faced with higher costs and smaller returns for a multiplex project, a developer might look at the return and ask themselves “why bother?” This is a key reason why larger, institutional developers have not,

and likely will not, enter the multiplex development space, and why smaller developers might choose to scale up and focus on fewer, larger projects.

7.2.1.1. Management, Permits, Personnel, and Construction

Management, permits, and personnel costs are significantly higher on a per-unit basis for smaller projects compared to larger projects. Participant 8 explained, “From a management perspective, there [can be] returns for somebody whose overhead is quite small (like a small multiplex developer), but for a large developer doing 1000 units a month, the overhead [management costs of] all these individual projects versus doing 400 units at a time [in one place would diminish the return].” Building multiple infill projects is more expensive than building a single subdivision with the same number of units or buildings due to factors like construction crew siting and travel, site clearance, material storage, and other construction-related costs. Centralizing operations saves money, and this approach is difficult, if not impossible, to apply to infill projects.

Condominium projects face particularly high fixed cost barriers due to the cost of registering a condominium. As mentioned earlier, these costs for a fourplex are nearly the same as for a 400-unit building. A standard Plan of Condominium permit has a base cost of \$11,067.04, plus \$29.67 per unit (City of Toronto, 2024), with high upfront costs for the application and low marginal costs for each additional unit. Legal fees and other costs

associated with condominium registration also add significant cost to a multiplex condominium project.

7.2.2. Land Value

The cost of land in Toronto is one of the largest components of the total development cost of a multiplex. While developers seek lots that are appropriately sized for a multiplex project, it can be financially infeasible to build on land that is too large and expensive. Participant 5 remarked “[Multiplex development] only works if you get a ridiculous deal on land and if you execute relatively flawlessly without a lot of mistakes, which makes it tough for first time developers.” Unlike larger developments that must assemble several adjoining plots of land and can typically outbid other buyers, multiplex developers usually look for older buildings on lower-cost land and find themselves competing against first-time homebuyers, custom homebuilders, and other developers. Combined with the challenges of amortizing land costs over a maximum of five units on most lots, Toronto’s rising land prices pose a significant barrier to those aiming to undertake a multiplex project.

7.2.3. Development Charges

During the early stages of designing the Multiplex By-Law, development charges were identified as a potentially insurmountable barrier for small scale projects. In response, the Multiplex By-Law included a provision exempting projects with up to four units from these charges, aligning with the new permissions for four units as-of-right on all residential lands

in the City of Toronto. However, this exemption overlooked the as-of-right garden suite permissions. Since 4+1 projects (four units plus a garden suite), rather than fourplexes, effectively became the highest as-of-right permitted use on all residential lands, these projects are subject to development charges. This oversight subjects all five units to development charges, rather than just the marginal fifth unit. These development charges can range from \$36,351 to \$113,938 per unit (City of Toronto, 2024), depending on tenure and size, which can amount to over \$200,000 for a typical 4+1 rental project and over \$300,000 for a typical 4+1 condo project.

Savvy developers have found a loophole in the system that allows them to avoid all development charges on a 4+1 project. A developer submits a plan for a four-unit project—typically a fourplex or a triplex plus a garden suite—to the City for a building permit, leaving room to add a fifth unit later. This can be done by designating an unfinished basement as “storage space” with plumbing and electrical connections or constructing a non-residential ancillary building at the rear. After the initial building permit is closed and the main building is completed, the developer then applies for a second building permit to convert their unfinished space into a residential unit, avoiding development charges since the building permit only covers one new unit. On larger lots seeking severances, developers can exploit this loophole to build up to ten or fifteen units without incurring development charges, though the severances themselves will incur a charge. The City of Toronto is aware of this loophole and, as of the time of writing, largely allows

these projects to proceed. This workaround creates an inefficient process that requires mobilizing construction services twice and requires City staff to review two separate building permits. Although this inefficiency adds costs both for the developer and the City, the cost to the developer remains lower than what they would otherwise incur in development charges.

7.2.4. CMHC MLI Select Financing

The Canada Mortgage and Housing Corporation (CMHC) offers the MLI Select mortgage insurance program for multi-unit rental projects of five units or more. CMHC insures mortgages at preferred rates for projects that meet their affordability, accessibility, and energy efficiency metrics on a graduated point system. MLI Select's point tiers allow a developer to attain a 40-year amortization period at 50 points, 45 years at 70 points, and 50 years at 100 points, thereby reducing a project's annual financing costs as more points are achieved. As Participant 5 explained, "the longer the amortization, the lower the cost, which means you can take out a bigger loan, which means you need less equity, which means the project is more likely to pencil."

Most multiplex developers seeking MLI Select financing focus on maximizing points for energy efficiency rather than pursuing the affordability or accessibility streams. It is nearly impossible to rent multiplex units at CMHC's affordable rates, which are based on 30% of median renter incomes from 2019 data, translating to \$1348 per month in Toronto (Canada Mortgage and

Housing Corporation, 2024)—less half of the current market rent for a one-bedroom apartment. Participant 7 noted that "virtually none of the units that can be built under the existing [Multiplex By-Law] will be affordable because the [per-square-metre] costs associated with land values and construction are not feasible to result in affordable housing." To achieve 50 points for affordability, the lowest attainable level, only 10% of units need to be affordable. This is feasible for larger projects with over ten units, as only one unit in a ten-unit building needs to be affordable, but for a 4+1 multiplex project, making just one unit affordable would mean a minimum of 20% affordability, likely rendering a project financially unviable.

Building multiplexes to CMHC's accessibility standards also presents challenges, though this barrier is more site-specific. Typical multiplex projects often have a slightly above-grade ground floor, necessitating a ramp for accessibility, which might not be feasible on smaller lots. Larger sites with space for a ramp and greater interior space can more easily accommodate accessibility requirements, but challenges remain on many sites.

7.2.4.1. Misalignment with Toronto's Development Charge Regime

It is noteworthy that MLI Select financing is only available to projects with five or more units, which directly conflicts with the City of Toronto's development charge regime. In theory, a developer must choose between incurring development charges on five units to access MLI Select financing or building four

development charge-exempt units while forgoing MLI Select's preferred financing rates. In practice, developers can apply for MLI Select financing while exploiting the 4+1 development charge loophole. For instance, a developer might submit a plan to CMHC for a 4+1 project, accounting for all five units in the financing application, while submitting a building permit to the City for a fourplex or a triplex with a garden suite. For a large-lot project involving a severance, a developer might submit a ten-unit project on two newly adjacent lots to CMHC while bringing two separate four-unit building permits to the City of Toronto, followed by two additional single-unit building permits. This misalignment represents another example of inefficiency caused by policy oversights. While loopholes can help developers avoid higher costs, aligning and modifying these policies would achieve similar outcomes at lower cost.

7.2.4.2. June 2024 Changes to Qualifying Criteria

In June 2024, CMHC announced changes to the MLI Select qualifying criteria, shifting the emphasis towards affordability measures. Previously, developers could achieve 100 points and qualify for the top tier of the program solely through energy efficiency measures. However, since June 2024, energy efficiency measures can only contribute a maximum of 50 points and accessibility measures contribute a maximum of 30 points, while affordability measures now offer up to 100 points. This change makes it impossible to qualify for MLI Select's top financing tier without including affordable units, even when maximizing energy efficiency and accessibility. Given the financial constraints that

make it difficult to provide multiplex units at CMHC's affordable rates, most multiplex projects can no longer qualify for 50-year amortization terms. Additionally, the challenges in meeting CMHC's accessibility standards mean that most projects can only qualify for 40-year amortization terms. This policy change counterproductively constrains otherwise feasible projects by imposing higher financing costs, which raises the cost of market-rate units for end users and exacerbates the existing challenges of providing affordable multiplex units.

7.2.5. Accessing Capital for Condominium Projects

Traditional condominium developers typically raise equity through pre-sales of units, but this can be challenging for multiplex developers due to scale limitations and the costs associated with sales staffing, agents, and setting up a sales office. While informal pre-construction sales are possible, small developers often struggle to access the same capital opportunities available to larger institutional developers. It is common for a developer to complete a multiplex without having pre-sold or rented units. Small developers seeking financing from banks and other lenders also face higher personal collateral demands compared to their larger counterparts. This is often due to a lack of credit, development experience, and cost predictability relative to larger developers. Additionally, small developers might be unable or unwilling to hire a cost consultant, as this represents a significant fixed cost that is difficult to spread across only four to five units.

7.3. Economic Barriers

The economic barriers affecting the development industry are particularly pronounced for small-scale developers. The current economic climate is characterized by high interest rates and a shortage of skilled trade labour. Although these conditions are transitory, they have lasting effects on housing markets. High interest rates increase the cost of financing, an essential component of any development project. Many projects that would have been feasible during the low-interest rate environment of the COVID-19 pandemic might not be viable today due to the steep increase in the borrowing costs. High interest rates suppress housing demand from buyers and housing supply from developers and sellers, creating a market standoff with no growth in supply. This, in turn, leads to unfavourable and costly conditions for renters, who face inelastic demand and a limited supply of housing.

Participant 8 likened the development industry to a sailboat that requires both a sail and wind to move forward. In this analogy, the regulatory environment is the sail, and the economic environment is the wind—both systems are necessary to propel the industry forward. In the recent past, economic conditions were more favourable for development, but the regulatory environment, which did not permit widespread multiplex development, constrained the industry. Constraints and bottlenecks to housing development are persistent and vary over time. There have been periods with significant economic incentive to build housing where the regulatory permissions were

misaligned. Currently, the regulatory framework exists to support multiplexes, but the economic environment is not conducive to their development. According to Participant 8, once the economic environment aligns with the relatively permissive regulatory framework, a 5-10% growth in multiplex starts could be expected.

7.4. Cultural Predilections

One of the greatest cultural barriers to building communities with multiplexes in Toronto's residential neighbourhoods is the prevailing expectation of detached, suburban style living. Participant 7 stated "The expectation that you're entitled to a single-family home in a dense urban centre with a massive yard is untenable in the current environment and has led to environmentally disastrous consequences around urban sprawl." This refers to the environmental and financial unsustainability of Toronto's notorious "tall and sprawl" housing model. The passing of the Multiplex By-Law at City Council indicates a cultural shift underway in Toronto, aiming to move away from the normative pursuit of the detached urban home. However, gentle densification in residential neighbourhoods remains controversial for many across the city. After all, as Participant 7 noted, "It's not really about multiplex [policy], it's about people's ideas of how we should live."

7.5 Summary of Barriers to Multiplex Development

While some of the barriers facing multiplex development in Toronto stem from the broader economic climate, certain changes to planning and financing policies could significantly impact the viability of these projects. Planning barriers related to building envelopes, minor variance processes, and egress could be addressed with simple policy changes at the municipal and provincial levels. Financial barriers, such as the

new MLI Select criteria and the misalignment of development charge exemptions with the 4+1 strategy could be resolved through coordination between developers, the City of Toronto, and CMHC. However, Toronto's longstanding cultural resistance to gentle density within residential neighbourhoods remains a more stubborn obstacle. Nevertheless, by facilitating simple and widespread multiplex development in these areas, the City can help assuage fears of change and establish a new norm for Toronto's neighbourhoods.



8. POLICY RECOMMENDATIONS:

This chapter presents a range of policy recommendations aimed at helping Toronto achieve its multiplex goals. Some policy changes, such as reforming the Multiplex By-Law and shrinking the Committee of Adjustment, fall within the unique jurisdiction of City of Toronto policymakers. Other recommendations, like aligning the development charge exemption with federal financing and publishing a catalogue of model plans can be done through coordination with the Government of Canada. This chapter focuses on actionable recommendations that can be realistically implemented in the short term and will not make any recommendations regarding the intractable economic barriers that cannot be addressed through simple policy changes.

8.1. Multiplex By-Law Reform

The Multiplex By-Law was a significant and laudable change to Toronto's land use policy, breaking with a decades-long status quo. However, despite its thoughtful design, the by-law falls short of its goal to ensure that multiplex development is not only permitted but also feasible. By building on the existing by-law and expanding permissions, many of the

interrelated planning barriers hindering widespread multiplex development can be removed.

8.1.1. Building Envelope

The current building envelope regulations are too narrow to accommodate feasible multiplex buildings on most sites. Participant 5 claimed that “19 out of 20 properties [their company] will look at won't pencil, and what that means is that we haven't done enough to loosen the planning restrictions at this scale.” They further suggested that “[if the City of Toronto wants] more of [these projects], a 10% change in permissions could lead to [many] more sites being feasible.” Modest expansions to permitted setbacks, building heights, wall heights, and building depths could have significant impacts, making many more sites suitable for feasible multiplex development.

8.1.2. Unit Permissions

Expanding the number of units permitted as-of-right could facilitate a better use of space and increase the marketability of multiplex units. Participant 6 noted the difficulty in selling larger

multiplex units in suburban areas, where land values and lot sizes would dictate much larger units than in urban areas. They argue that increasing permitted unit counts from four to six units as-of-right would be a “game changer” for project viability and access to traditional financing. With modest height increases, it is possible to accommodate six units within a three-storey building on larger lots. A proposal to expand unit count permissions to six units is currently under consideration by City Council, with support of the Government of Canada.

8.1.3. Flexible Approaches

Given the diverse urban forms in post-amalgamation Toronto, a flexible approach to the Multiplex By-Law could yield better outcomes across the city. Toronto’s urban core typically has smaller lots with higher demand for multi-unit rental apartments, while the inner suburbs feature larger lots with greater capacity for housing and parking, and potentially higher demand for condominium multiplex units. Since multiplex developers are practically limited to select “sweet spot” sized lots with standard dimensions, introducing flexible permissions could open more lots for feasible multiplex development. Unit count and building envelope permissions could be expanded on a contextual basis, depending on factors such as lot size, servicing capacity, and proximity to transit. Additionally, alternative solutions applications reviewed by staff, rather than committee, could be offered for projects on lots with unique characteristics, such as the presence of mature trees. While the existing as-of-right permissions in the Multiplex By-Law provide a strong foundation for this type of development, they

should not be left as a universal cap for all sites.

8.1.4. Zone Harmonization and Information Gaps

Despite the introduction of the Multiplex By-Law, the City of Toronto retained its existing Residential Detached (RD), Residential Semi-Detached (RS), Residential Townhouse (RT), and Residential Multiple (RM) zones. Toronto also has a Residential Apartment (RA) zone for larger apartment buildings. These zones now all permit four-unit multiplexes as-of-right, with the RT zone also allowing townhouse forms. These zones are all subject to many site- and area-specific conditions and exemptions. Given that these zones now align with their maximum permitted uses, Toronto could consolidate these zones into a Residential (R) zone while retaining the existing site- and area-specific overlays. This harmonization could simplify zoning for residents and developers alike, making it easier to understand what is permitted on a given site. The City of Auckland, New Zealand, offers a successful example of zoning harmonization that the City of Toronto could consider for replication.

Further simplification of Toronto’s Zoning By-Law could make the planning process more accessible to residents. Currently, zoning and planning regulations can be incomprehensible to the average Torontonians. Participant 7 said:

“If [planning policy] was more clear, transparent, and predictable, if people knew exactly what to expect, if it wasn't this maze [in which only] the people with the expertise and resources are able to

figure it out to advance their own interests, it would ultimately benefit all parties' projects whether it's a mom and pop or a professional developer."

Such changes would help remove informational barriers to planning and development, creating a simpler and more equitable process.

8.2. Shrinking the Committee of Adjustment

The Committee of Adjustment, in its current form, is a response to overly rigid by-laws that restrict reasonable development aligned with the City's planning objectives. The high volume of applications and the 96% approval rate suggest that the Committee of Adjustment causes delays, enables bad-faith neighbourhood opposition, is influenced by those with the resources to hire expensive professionals, and does not necessarily lead to better planning outcomes. The status quo of planning by exception as dictated by an unaccountable, quasi-independent, quasi-judicial committee is unsustainable and is worthy of reform.

The concept of shrinking the Committee of Adjustment is rooted in modernizing planning regulations. The City of Toronto should establish sensible, permissive, and flexible planning rules that align with the City's planning goals stated in its Official Plan without a "back door" for development approvals. Such an expansion of planning rules could go beyond merely permitting what is minimally viable; rather, the by-laws should be expanded to eliminate the need for most minor variances currently granted at the Committees. Toronto City Planning is already reviewing the most

commonly sought minor variances, and findings from this review should inform a comprehensive overhaul of the Multiplex By-Law.

While some form of zoning by-law relief will always be necessary in a city of unique lots, individual homeowners, and complex projects, minor variance requests could be more effectively handled by professional planning staff rather than by a committee. Planning staff with day-to-day familiarity and experience with the City's overall planning objectives could approach variances with a fairer and more systematic perspective. Planning staff already review minor variance applications and make recommendations to the Committee of Adjustment, though these recommendations are not always followed. In a post-modernization scenario, planning staff play a more significant role in the minor variance process, potentially eliminating the need for the Committee in its entirety.

8.3. Model Plans

Reducing the time, cost, and complexity of development by making architectural designs more accessible is a key mechanism to eliminate barriers to multiplex development. Multiplexes are typically designed as bespoke, one-off projects by architectural firms retained for specific developments. Using standard model plans for several homes can help spread the cost of architectural design across many projects. This strategy is employed by suburban subdivision developers who build communities based off a limited number of home designs, however this approach has yet to be widely

tested for infill projects.

The CMHC was once a leader in model plan housing, facilitating a rapid post-war housing boom of small, suburban style houses (Central Mortgage and Housing Corporation, 1954). The CMHC has recently expressed an intention to reintroduce a model plan program for multiplexes as part of the Housing Accelerator Fund (Canada Mortgage and Housing Corporation, 2023). Additionally, the Government of British Columbia has announced plans to develop a standardized housing design catalogue that will include multiplex plans (Government of British Columbia, 2023). The Province of Ontario should explore the development of a similar model plan catalogue for multiplexes, and the City of Toronto should consider pre-approving housing plans to accelerate and simplify multiplex development.

8.4. Aligning the Development Charge Exemption with Federal Financing

The misalignment of Toronto's development charge exemption with the CMHC MLI Select program introduces unnecessary inefficiencies into the development process. Currently, the 4+1 loophole allows developers to bypass development charges by delaying their projects, obtaining two building permits, and mobilizing construction teams twice. Developers pursue this approach to access favourable federally-backed financing rates that apply to projects with five or more units. However, this loophole increases development costs without providing any financial or planning benefits to the City of Toronto.

Although the City is aware of this loophole, no progress has been made in addressing the underlying policy issues. To resolve this, the City of Toronto should expand its development charge exemption to include the first five units, rather than just four. This change would align the exemption with the CMHC MLI Select program and the City's own highest as-of-right zoning permissions on all residential lots. If the City considers expanding unit counts as recommended above, it should also consider exempting the maximum as-of-right unit count for small low-rise projects in neighbourhoods from development charges.

8.5. How Policy Changes Can Facilitate More Multiplex Housing

Small, targeted changes to planning and financial policies can have wide-ranging impacts on the permissibility, feasibility, and cost of development. This is particularly true for small projects with narrower margins and higher proportional fixed costs compared to larger developments. For example, minor adjustments to building envelope regulations could substantially increase the number of lots suitable for multiplexes. Similarly, reforming development charges and the Committee of Adjustment could save both developers and the City of Toronto time and money by reducing delays and administrative overhead. Implementing model plans could allow developers and homeowner-developers to save on architectural fees and labour costs.

These factors, along with building costs, financing costs, expected rents, and the ratio of revenue-generating floor space to circulation

space, determine whether a project is financially viable. Only projects that pencil are built, leaving many potential projects unbuilt due to feasibility issues. Participant 5 highlighted the significant impact of small policy changes and the opportunity cost of maintaining a restrictive status quo:

“[The City of Toronto can] measure what gets built when policies get passed, [but they] can't measure what doesn't get built because of the gaps to the policy. There's this unknown opportunity cost that's not being factored into how they think about policies. When you're looking at it from a macro perspective, if the intent of the policy is to build as many [multiplexes] as possible in the city to create

more housing, they're missing that part of the equation. They don't know what's not getting started, how many developers look at their pro-formas and walk away from a site because of these question marks.”

Keeping with the current iteration of the Multiplex By-Law without pursuing evidence-based improvements and expansions risks incurring high opportunity costs in terms of unrealized housing units. Faced with a crisis of housing unaffordability and spatial inaccessibility, the City of Toronto must prioritize expanding housing options in neighbourhoods by unlocking more lots upon which it is feasible, not just legal, to build multiplex housing.



9. WILL MULTIPLEXES SOLVE OUR HOUSING SHORTAGE?

Permitting multiplex development as-of-right in the City of Toronto is one of several strategies aimed at addressing the city's large and growing housing supply gap. However, this measure alone is not sufficient. Case studies from Minneapolis and Auckland demonstrate that while blanket upzoning works to slow housing cost escalation and improve housing access across a city, the primary driver of housing growth in both cities has been large apartment buildings. Multiplexes, though important for providing access to neighbourhoods, are an inefficient means of addressing large supply shortages. For example, a single large apartment building with approximately 400 units can provide the same amount of housing as 100 fourplexes. Given that only 97 multiplex permits were issued in the first year of the by-law's implementation, it is clear that the City of Toronto must continue to promote large projects that benefit from economies of scale to rapidly and effectively address the housing shortage.

Participant 8 said that “multiplexes were never a silver bullet.” Despite their inefficiencies, they continue, “[multiplexes] provide a

complementary option to apartment buildings. Toronto needs to build more housing [to address supply gaps], but it also needs to repopulate neighbourhoods. To do that, you have to provide certain housing options that are affordable.” It is important to reiterate that multiplexes are not a direct housing affordability measure; they do not provide purpose built, subsidized, or off-market housing. However, the Multiplex By-Law does promote relative affordability and a greater variety of housing options in neighbourhoods traditionally characterized by homogenous and expensive housing stock.

When buying or renting a home, individuals must acquire or lease a specific amount of land and capital. By dividing that land and capital into portions through multifamily housing, it becomes possible to enter a neighbourhood by buying or renting a smaller portion of each. When compared to a \$2 million detached dwelling on a given lot, a \$750,000 multiplex unit on the same lot is clearly a more affordable alternative.

10. CONCLUSION:

This study aimed to evaluate Toronto's multiplex development industry one year after the passage of the Multiplex By-Law by reviewing existing literature on "Missing Middle" housing, examining upzoning policies in Minneapolis and Auckland, and consulting with leading experts in the field. The evidence clearly indicates that upzoning and land use liberalization lead to more affordable and accessible neighbourhoods. Responding to the demand for significant changes to housing policy, the City of Toronto introduced the Multiplex By-Law to create a new industry supporting this housing form while reducing development pressure on greenfield suburbs and Urban Growth Centres. The EHON team collaborated with relevant stakeholders, including the Urban Land Institute, to design a by-law that would stimulate a new, "Made in Toronto" multiplex industry.

While multiplex development in Toronto is permissible, it remains difficult to achieve. Multiplexes are only viable on certain "sweet spot" sized lots that are either vacant or are improved by a small tear-down home. Although multiplexes face disproportionately high fixed development costs compared to most other

housing forms, the industry still is dominated by small, highly cost-sensitive developers. Savvy developers have identified the most efficient and viable multiplex development strategies, such as the 4+1 form and the severances of large lots to develop adjacent multiplex projects. Despite lower initial returns, rental multiplex development appears to be more cost-effective and less complex than condominium alternatives. While multiplex developers struggle to access the same preferred financing opportunities as larger developers, they can typically secure residential mortgages, land loans, and construction loans, albeit at higher interest rates.

By passing the Multiplex By-Law, the City of Toronto took a bold step away from a status-quo that contributed to economic and spatial stratification within the city. With these new permissions, Torontonians may now envision living in an accessible, relatively affordable home in a low-rise residential neighbourhood.

Although Toronto's multiplex program shows promise and reflects a forward-thinking vision, it is constrained by the rigidity of the enabling by-law and a lack of coordination with federal financing programs. Adopting a more flexible

and coordinated approach to multiplex policy will not change the financial and economic realities limiting scalability, but it could enable many projects that are currently infeasible under existing regulatory conditions. While multiplex development is expected to accelerate in a lower-interest rate environment, the City of Toronto could adjust its development policies to better facilitate this type of housing in any rate environment. As the City debates changes to the by-law, it should consider the opportunity cost of its building envelope regulations in terms of unrealized units.

Throughout the research process, several participants highlighted the novelty of the

industry and the relative lack of established procedures for multiplex development. Although this study sought to identify the early barriers facing the sector, it was constrained by a lack of permit data available for deeper analysis. The City of Toronto is currently monitoring multiplex permits and plans to publish data on commonly sought variances, development locations, and other relevant factors within the coming years. Future research on the topic should be conducted once more data is available and the sector has matured, becoming a regular and visible part of Toronto's development landscape.



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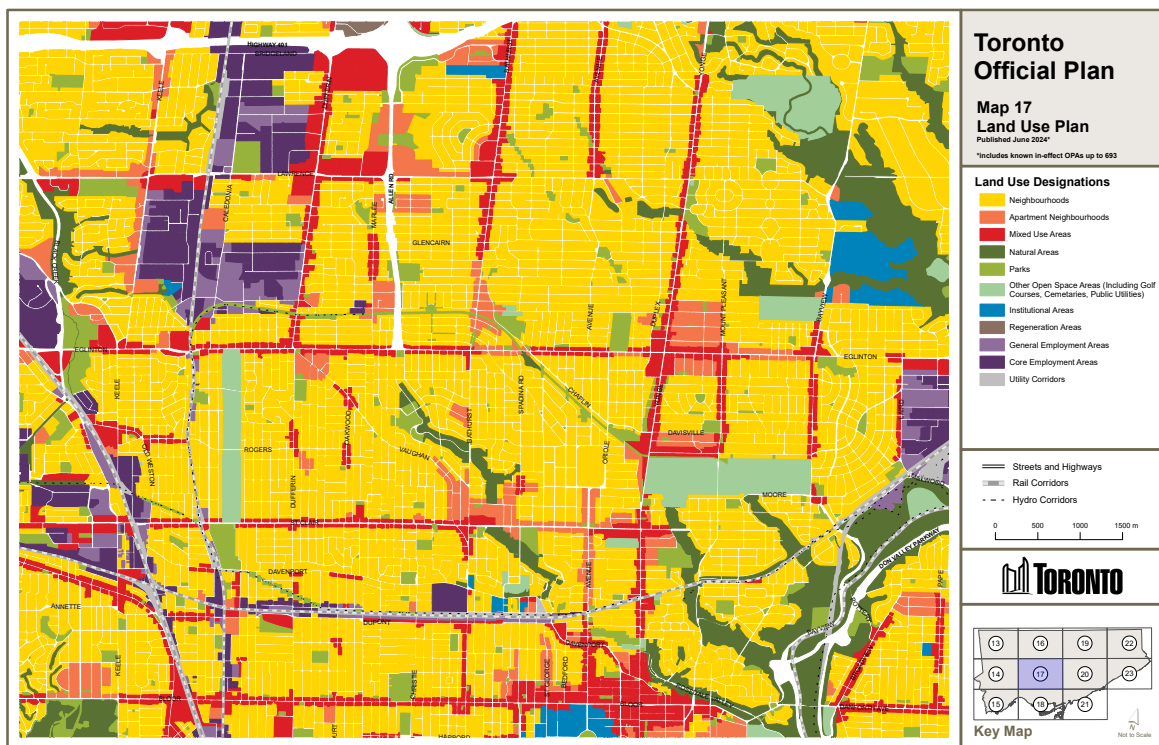
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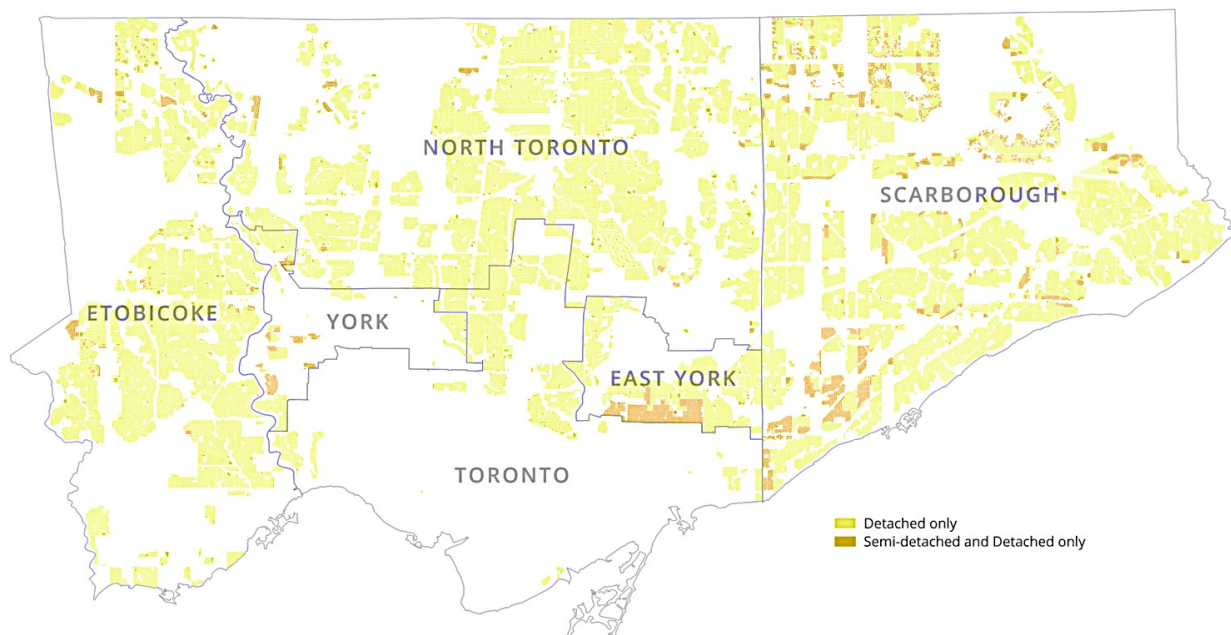
APPENDIX

Figure 1: Official Plan Map 17 of the Centre of Toronto, including parts of the former cities of Toronto, East York, North York, and York (City of Toronto, 2024)



APPENDIX

Figure 2: The “Yellowbelt” (Source: MapTO, 2017)



APPENDIX

Figure 3: Sample Interview Guide

1. (Question pertaining to current experience—context dependent)
 - a. What kinds of projects or initiatives are you currently involved with in this space?
 - b. Describe to me your involvement with EHON policymaking.
2. Less than one year in, what has been the immediate impact of the Multiplex By-Law on the development sector, if any?
3. What are the financial conditions necessary to realize a multiplex development project?
 - a. (Follow-up for those who have embarked on Multiplex project) What have you heard or learned from lenders regarding Multiplex projects?
4. What do you make of the federal government's Housing Accelerator Fund agreement with the City of Toronto to expand housing permissions?
5. What do you think will be the most transformative impacts of EHON...
 - a. On the development industry
 - b. On the built environment
 - c. On affordability
 - d. On the availability of housing
6. Do you think the Multiplex By-Law as it stands is sufficient to realize widespread multiplex development in Toronto?
7. What is missing from the Multiplex By-Law in its current form that could improve feasibility?
 - a. What can we learn from other jurisdictions that have done this successfully?