

**REPORT TO:** Community and Infrastructure Services Committee

**DATE OF MEETING:** June 2, 2025

**SUBMITTED BY:** Garrett Stevenson, Director, Development and Housing Approvals, 519-783-8922  
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**WARD(S) INVOLVED:** All Wards

**DATE OF REPORT:** May 15, 2025

**REPORT NO.:** DSD-2025-200

**SUBJECT:** Rental Replacement By-Law Year-One Update

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## **RECOMMENDATION:**

**For Information.**

## **REPORT HIGHLIGHTS:**

- The Rental Replacement By-law is a component of an evolving set of policies for protecting residential tenants, by providing compensation, relocation support, and the right of return through binding Rental Replacement Agreements.
- The By-law positions the City as one of the leaders in Ontario in tenant-focused and growth-supportive housing policy and planning.
- There is a separate body of work for the rental renovation licencing by-law review, which is anticipated to come to committee on June 16, 2025.
- The Rental Replacement By-law has resulted in four applications, affecting a total of 50 rental units. Staff have also had early conversations on six other properties affecting 40 additional units, both demonstrating strong uptake and its value in protecting existing affordable housing and tenants vulnerable to displacement.
- Staff are proposing amendments to the Rental Replacement By-law guidelines to streamline the review process, reduce administrative burden, and ensure clarity early in the planning process. There are no changes recommended to the By-law itself. Amendments to the guidelines have been delegated to the Director of Development and Housing Approvals.
- The amendments to the guidelines proposed herein reflect applicant experiences with the By-law so far, and Staff will continue to monitor the impact of the By-law on tenants, the affordable housing stock, and its impact on local development patterns over the coming year.

- Staff have been advised by Applicants that the Rental Replacement By-law has added cost and time to some development proposals. Increased costs are the result of payments or rent waivers required to current/existing tenants. Added time was partly due to the nature of the information required for the application, the requirements of the by-law, and because the effective date of the by-law was in the middle of some ongoing planning approval processes.
- The Rental Replacement By-law is one of Kitchener's many housing initiatives, that has been implemented as part of its Housing for All Strategy.
- This report supports **Building a Connected City Together: Focuses on neighbourhoods; housing and ensuring secure, affordable homes; getting around easily, sustainably and safely to the places and spaces that matter.**

## BACKGROUND:

On January 30, 2023, Council directed staff to prepare a rental housing, eviction and displacement study that explored tools that the City can use to support residents displaced from their housing. This direction emerged from the findings of the City's 2020 Housing for All Strategy, which recommended finding innovative tools to preserve and increase housing supply. In December 2023 Council directed the preparation of a rental replacement by-law which was developed in the Spring of 2024 following a comprehensive study of the legal and jurisdictional precedents and a financial feasibility study completed by Parcel Economics Inc. This work allowed staff to structure the By-law in a way that balances protections for tenants while enabling additional housing supply.

The Rental Replacement By-law was passed in June 2024 under Section 99.1 of the Municipal Act, applying to the demolition of residential buildings with six or more rental units. As part of Council's approval of the By-law, Council directed that staff report back in June 2025 reviewing the impacts of Kitchener's Rental Replacement By-law. Additionally, Council directed that staff report back in June on the status of additional tools that may be used in the area of evictions due to renovations. There is a separate body of work for the rental renovation licencing by-law review, which is anticipated to come to committee on June 16, 2025. The purpose of this report is to provide a 1-year update on Kitchener's Rental Replacement By-law.

The By-law is authorized under Section 99.1 of the Municipal Act and applies when dwelling units within residential properties with six or more units are proposed to be demolished or converted. When a Planning Act application proposes to demolish or convert an eligible residential rental building, the Rental Replacement By-law includes three options for tenant compensation:

- **Temporary Offsite Replacement Unit:** A comparable rental unit rented at the same price as their existing unit until construction is complete at which point the tenant is given first right of replacement to occupy a comparable unit in the completed development.
- **Rent Waiver:** The option of remaining in their unit for 12 months rent-free with the obligation to vacate thereafter. Additionally, the developer will be required to provide a unit in the new building at affordable rents for a period of 10 years.
- **Cash Payout:** The option of receiving the cash equivalent of 10 months of rent and an agreement to vacate the property in two months. Additionally, the developer will be

required to provide a unit in the new building at affordable rents for a period of 10 years.

## **REPORT:**

In its first year, the Rental Replacement By-law has been an important protection for tenants at risk of losing their homes through demolition. It has been working as intended, however, staff have identified opportunities for process improvements and clarifications.

Ten development proposals have been subject to the By-law since its approval in June 2024, demonstrating that there is considerable market pressure to redevelop rental properties with affordable units and that there is a need to protect the tenants of these buildings from the hardship of displacement. Staff are proposing amendments to the guidelines to provide greater clarity and to make it easier and faster for developers to follow the By-law. These changes will help protect tenants while still supporting new housing. Staff will continue to track projects subject to the By-law to make sure important housing developments stay on schedule.

## **Application Characteristics**

The City has received four Rental Replacement applications, affecting a total of 50 rental units. Staff have also had early conversations on six other properties affecting 40 additional units. Most of the properties subject to the By-law have been relatively affordable, purpose-built rental buildings between 30 and 80 years old, typically with 10 to 30 units. Two main types of redevelopment proposals have emerged. The first involves converting existing rental buildings with a mix of one-, two-, and three-bedroom units into a larger number of smaller-sized units. The second involves consolidating several properties—often smaller rental buildings and single detached homes—into larger development sites to support bigger projects.

Staff are closely monitoring the size and cost of the units being affected by the Rental Replacement By-law, and, although the number of applications the City has received to date does not provide sufficient data to allow comprehensive analysis, there is an indication that some of the affected units are being rented at rates at or below the City's definition of affordable and the average asking rent for comparable units now on the market.

## **Streamlining Application and Review Procedures**

In preparing the Rental Replacement By-law, staff were careful to balance the interrelated policy goals of creating new housing supply and preserving the health and diversity of the city's most affordable rental housing. Since the By-law's adoption, staff have monitored its effects on development proposals. To date, only four applications subject to the By-law have been formally submitted, with only one application proceeding to final approval. There are not enough applications under review or approved to draw conclusions on the impact of the by-law on the development review process. Staff will continue to monitor project progression closely over time to assess any longer-term impacts.

Early data suggests that its requirements have applied to only a modest share of overall redevelopment activity across the City. Focusing specifically on the properties subject to

the By-law, Table 1 shows that of the 90 rental units affected across 10 properties, only 19 units are currently occupied or will need to be replaced at affordable rental rates. While it is still early in the approvals process for these projects, and timelines vary, all 9 of the 10 properties remain active and under review.

Address	Status	Existing Units	Units Subject to the By-Law	Proposed Units
22 Woodfern	Application Submitted	17	2	34
40-42 Eby Street	Permit Issued	8	0	105
67 Blucher Street	Preliminary Conversations Held	4	4	8
191 Morgan	Application Submitted	18	7	29
544-550 Lancaster Street W	Preliminary Conversations Held	6	0	878
136 Brentwood / 135-161 Jackson	Application Submitted	7	6	118
169-183 Victoria Street South	Preliminary Conversations Held	8	-	120
9-27 Turner Avenue	Preliminary Conversations Held	7	-	30
667 Victoria	Preliminary Conversations Held	7	-	-
111 Hoffman Street	Preliminary Conversations Held	8	-	15
<b>Totals</b>		<b>90</b>	<b>19</b>	<b>1,337</b>

Table 1 Rental Replacement Projects Since June 2024

Staff recognize that for many applicants, awareness of the By-law emerged only partway through the planning approvals process. To reduce uncertainty and improve predictability, staff have proposed administrative amendments to the Rental Replacement guidelines. These changes are procedural in nature and do not require Council approval or changes to the By-law itself. The amendments are generally outlined in the following sections.

#### **Clarification on Replacement Unit Size:**

Additional guidance on replacement unit size will be included in the Rental Replacement guidelines to clarify that:

- For tenants that selected the Temporary Replacement Unit option, the unit that the tenant is entitled to return to after construction means a rental unit with a quantity of rooms generally equal to the unit from which the tenant is displaced, offered to the tenant at their existing rent and shall include, at minimum, access to reasonably comparable amenities to those included with their existing rental unit.

#### **Application Resubmissions and Vacancy Timing:**

To provide clarification on the application of the By-law as it relates to the length of time a unit has been vacant, the Rental Replacement guidelines will be clarified as follows:

- If an application is withdrawn and resubmitted within six months of the original submission date, the applicant will continue to be subject to the Rental Replacement obligations that applied at the time of the original submission.
- If any rental units became vacant between the time of the original application and the resubmission, the applicant will still be required to replace those units, in accordance with the vacant unit provisions set out in the Rental Replacement guidelines.
- If a unit was vacant for less than six months at the time of the original application, but by the time of resubmission has been vacant for more than six months, the applicant will nonetheless be required to replace that unit under the guidelines.

This clarification in the guidelines will help prevent applicants from allowing units to become vacant during a resubmission window in order to avoid obligations under the By-law, ensuring fairness to tenants and consistency in the application of the by-law.

### **Early Tenant Notification and Distinction from Residential Tenancy Act Processes:**

Procedural updates will also require:

- All compensation options to be presented to tenants at the time of the Rental Replacement application; and,
- Clear communication that compensation under the Residential Tenancies Act (RTA) is separate from obligations under the Rental Replacement By-law.

This distinction is critical because tenants are entitled to different compensations and landlords are subject to obligations under RTA and the City's Rental Replacement By-law. For example, a tenant may be asked to vacate their unit under the RTA (e.g., via an N11 agreement) before the Rental Replacement Permit is triggered. An N11 agreement is a mutual agreement between the landlord and tenant to vacate the property and may be accompanied by financial compensation. In such cases, clarity will be provided in the guideline that:

- For tenants that have signed an N11 agreement but not yet vacated, a Tenant Compensation Agreement will still be executed, with RTA compensation credited toward the By-law's cash payout option;
- The applicant will still be required to replace all qualifying units that were occupied within six months of the application date, regardless of whether an RTA compensation had been paid to the tenants of the vacated units.

This approach ensures that tenants who vacate early are not denied compensation afforded to them under Kitchener's Rental Replacement and additionally that the preservation of affordable rental supply is upheld. Together, these adjustments will make the Rental Replacement process more transparent and predictable for applicants, while maintaining the By-law's intent.

### **Clarification for Non-Profit Applicants**

While the existing By-law explicitly references non-profit cooperatives, other non-profit housing providers are not specifically addressed. To better support the unique

programming needs of non-profit housing providers — such as seniors' or supportive housing - the guidelines will be amended to clarify that:

- All non-profit applicants are required to offer tenants compensation options (cash payout, rent-free temporary accommodation, or right of return), consistent with applicants in the private-market development sector.
- Non-profits may be exempted from the requirement to replace units with a comparable rental unit, recognizing that the non-profit mandate to provide housing (e.g., smaller units for seniors) often necessitates different unit mixes. As an example, supportive shared/emergency housing operated by a non-profit housing providers may be replaced with a different form of housing (lodging houses, semi-shared living accommodations, one and two bedroom units). The type of supportive/affordable housing provided may vary depending on need and funding models and availability.

This clarification maintains fairness for tenants while allowing non-profits the needed flexibility, supporting affordable housing innovation.

The procedural changes recommended in this report will add clarity and efficiency to the Rental Replacement By-law process.

### **STRATEGIC PLAN ALIGNMENT:**

This report supports Building a Connected City Together: Focuses on neighbourhoods; housing and ensuring secure, affordable homes; getting around easily, sustainably and safely to the places and spaces that matter.

### **FINANCIAL IMPLICATIONS:**

Capital Budget – The recommendation has no impact on the Capital Budget.

Operating Budget – Staff estimate that 15-20 hours of staff time are required to process and administer each Rental Replacement Application. The majority of applications were received in late-2024 and early 2025 and are still in process. Staff have therefore not yet had the opportunity to assess the length of time required to administer and execute tenant compensation agreements and the agreements with owners guaranteeing affordability in replacement units, as per the terms of the By-law. Through Budget 2026, staff will be adding a new Rental Replacement Application fee to the 2026 User Fee schedule.

### **COMMUNITY ENGAGEMENT:**

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

### **PREVIOUS REPORTS/AUTHORITIES:**

- *DSD-2024-282 - Proposed Rental Replacement By-Law*
- *Municipal Act, 2001*

**REVIEWED BY:** Natalie Goss, Manager, Policy & Research

**APPROVED BY:** Justin Readman, General Manager, Development Services