

STAFF REPORT



TO Infrastructure, Development and Enterprise Committee

SERVICE AREA Infrastructure, Development and Enterprise

DATE Oct 6, 2015

SUBJECT Affordable Housing Strategy: State of Housing Report

REPORT NUMBER 15-37

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To present the State of Housing Report, identify affordable housing issues in Guelph and report on the next steps and a community engagement strategy.

KEY FINDINGS

The provision of a full range of housing to meet the changing needs of all types of households is a fundamental component of Guelph's sustainable community vision.

This report, and the attached State of Housing Report, present a demographic and statistical analysis of households in Guelph and identify affordable housing issues affecting residents of our community.

The analysis revealed that the City's annual affordable housing target for ownership housing set at 27% of new residential development has been met over the past five years. However the annual affordable housing target for rental housing set at 3% has not been met over the same time period. The target for 90 accessory apartments per year has been exceeded each year with the exception of 2011 when an interim control by-law was in place limiting the creation of accessory apartments to the north end of the City.

Despite the City meeting the ownership target, detailed analysis reveals there are affordability challenges for certain household types that the market is not meeting. In 2011, 20% of owners and 41% of renters spent more than 30% of their income on housing and 11% of the City's households (5% homeowners and 26% renters) were living in core housing need, meaning they cannot find a unit that is adequate (not requiring any major repair), suitable (enough bedrooms for size and composition of household) and affordable, and they would have to pay 30% or more to pay median rent of alternative local housing that meets all three standards. The analysis showed:

- the market was not producing smaller units (i.e. bachelor and one

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- bedroom units) to meet the needs of smaller households;
- the market was only producing some primary rental housing stock for seniors and not for the full range of household types in need; and
- overcrowding and state of repair of the overall housing stock were not significant problems.

A stakeholder focus group session was held in February 2015 to discuss the preliminary findings and explore affordable housing issues. Overall, participants supported the data presented and felt it was representative of their experience. Staff's analysis of the data and the input received at the focus group session lead to the development of the following problem statement:

The range of housing options available in Guelph is not fully meeting the affordability needs of low and moderate income households.

In addition the following three (3) issues were identified:

1. There are not enough small units to rent or buy to meet the affordability needs of all smaller households.
2. A lack of available primary rental supply makes it difficult for people to find affordable rental housing.
3. The secondary rental market provides choice of affordable dwelling types but the supply is not as secure as the primary rental market.

The issues reflect the following:

- an aging population;
- supply and affordability challenges for smaller households;
- a lack of new primary rental units being constructed;
- a 0.6% vacancy rate reported for the primary rental market in April 2015 (lowest in Ontario); and
- the reliance of many households on the secondary rental market which accounts for approximately 45% of the City's rental housing stock.

The secondary rental market does not have the security of supply as the primary rental market. The primary rental market is subject to a demolition control by-law and condominium conversion controls in the Official Plan which have proven very helpful in retaining rental stock whereas the secondary rental market lacks these controls and can therefore be more transient in nature.

On the non-market side, as of December 31, 2014 there were 881 Guelph households on the Service Manager's (County of Wellington) rent-geared-to-income (RGI) waiting list for social housing units further, there have been no new social housing units created since 1995. The expiration of all housing provider RGI operating agreements between 2016 and 2031 could impact market housing needs if alternative assistance is not provided leaving previously supported households with the challenge of finding suitable housing in the

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marketplace.

A Council Workshop on affordable housing was held in June 2015 as a means of building awareness and understanding around the roles, responsibilities and issues impacting affordable housing across the full housing continuum, including non-market and market housing. The Council Workshop also provided Council members with an opportunity to provide input into the Province's Long-term Affordable Housing Strategy. The workshop reinforced Council's desire to take action on affordable housing, a priority identified on the shared agenda produced by Council and City staff.

The potential involvement of the City in financially incenting the creation of affordable housing across the full continuum will be reviewed in Q2 2016 once this strategy is largely completed and the City has established recommended approaches to addressing affordable housing issues on the market end of the continuum which will complement the non-market strategies and recommendations contained in the approved Guelph and Wellington 10 Year Housing and Homelessness Plan. This review will provide direction to the future of the City's Affordable Housing Reserve that has historically been used to support the creation of affordable market and non-market housing.

The attached work plan and community engagement process presents the timing of key milestones. It outlines when both targeted and community-wide engagement opportunities will be provided. The final Affordable Housing Strategy is scheduled for completion in Q2 2016.

FINANCIAL IMPLICATIONS

The development of the Affordable Housing Strategy is funded through approved capital funding.

ACTION REQUIRED

To receive the Affordable Housing Strategy: State of Housing Report.

RECOMMENDATION

1. That Report 15-37 from Infrastructure, Development and Enterprise regarding the Affordable Housing Strategy: State of Housing Report dated Oct 6, 2015 be received.

BACKGROUND

The provision of a full range of housing to meet the changing needs of all types of households is a fundamental component of Guelph's sustainable community vision. Provincial policy and legislation sets out a framework for municipalities to address housing needs through their role as land use planning authorities and also sets out the requirement for Service Managers (County of Wellington) to develop Housing and Homelessness Plans (HHP) in collaboration with stakeholders, including the

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City. The final HHP report was approved by County Council in November 2013 and presented to the City's Community and Social Services Committee in December, 2013. The City's Official Plan Update (Official Plan Amendment 48) establishes a policy framework that plans for a full range of housing types and densities, and commits the City to undertaking a Housing Strategy to support implementation of this policy framework.

On April 7, 2014 PBEE Committee received Staff Report 14-15 Housing Strategy Background Report and Proposed Project Charter with Council subsequently approving the project charter (posted as Attachment 1 on <http://guelph.ca/housing/>). The approved project charter scoped the City of Guelph Housing Strategy to focus on affordable market housing. This approach builds on work already completed through the Official Plan Update recognizing the City's land use planning role and the City's potential to influence the market housing components of a continuum of housing (i.e. market rental and ownership housing). The development of an appropriate project scope focused on policy drivers, roles, responsibilities and tools available to the City. The project scope recognizes the continued lead role of the County of Wellington as the Service Manager in implementing the HHP, and a need to coordinate City efforts with the County, where appropriate, to ensure that complementary and value-added strategies are developed. The approved project scope recognizes that all stakeholders must continue to work together to ensure an integrated, systemic approach to addressing the entire housing continuum shown in Figure 1 and adds value to other ongoing housing initiatives in which the City is participating, particularly HHP implementation.

The Background Report, completed as part of the scoping exercise, provides context to the City of Guelph Affordable Housing Strategy with a general overview of the housing continuum; definition of affordable housing; summary of various government roles, responsibilities and relationships; background policy documents; past studies and reports; and City funding initiatives.

In accordance with the approved project charter, staff has collected and analyzed housing statistics and demographic data, undertaken focused stakeholder engagement and identified an overall problem statement along with identified housing issues in Guelph. This information is contained in the attached State of Housing Report (Attachment 2) and is the subject of this staff report.

Purpose of Affordable Housing Strategy

The Affordable Housing Strategy is intended to address municipal requirements under the Provincial Growth Plan and Provincial Policy Statement regarding planning for a range of housing types and densities by establishing and implementing minimum targets for the provision of affordable rental and ownership housing. The City completed an Affordable Housing Discussion Paper in 2009 which provided the basis for the affordable housing target incorporated into the City's Official Plan

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through OPA 48. OPA 48 also satisfied the requirement to plan for a range and mix of housing types through appropriate land use designations and supporting policies.

The Affordable Housing Strategy is intended to provide further clarity around affordability issues and advance the Official Plan policies by providing an implementation plan that addresses identified issues and achievement of the city-wide 30% affordable housing target along with a mechanism to implement and monitor achievement of the target. A separate target of 90 accessory apartments per year is also included. The work will include a review of the methods used in determining the affordable housing targets for rental and ownership units in the 2009 Affordable Housing Discussion Paper and an update of the benchmark prices.

The Affordable Housing Strategy will also assist Council in responding to affordable housing funding opportunities and evaluating the City's potential role in funding or incenting affordable housing projects, for example by using the City's Affordable Housing Reserve (AHR). The opportunity to integrate recommended actions with existing policies and processes, including other funding sources, the Growth Management Monitoring Framework and other monitoring processes, will also be explored.

REPORT

This report:

- 1) provides the State of Housing Report including:
 - housing and demographic statistics;
 - housing need and supply data;
 - updated affordable housing benchmarks for rental and ownership housing;
 - performance against the affordable housing targets for rental and ownership housing and identification of housing issues based on the data collected;
 - the results of a focus group session with key stakeholders;
 - affordable housing issues based on data to guide solutions to be presented in the upcoming Directions Report; and

- 2) outlines next steps in the work plan to complete the Strategy which includes a community engagement process.

State of Housing Report

The State of Housing Report, posted on <http://guelph.ca/housing> as Attachment 2 presents a demographic and statistical analysis of households in Guelph to identify and understand affordable housing issues affecting rental and ownership market housing in the City of Guelph.

Affordable Housing and Benchmark Prices

In general, according to Canada Mortgage and Housing Corporation (CMHC), housing is affordable for a given household if it costs less than 30% of gross

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(before-tax) household income. The City's adopted Official Plan defines affordable housing based on the Provincial Policy Statement and Provincial Growth Plan definitions. According to provincial policy affordable housing means:

- a) In the case of ownership housing, the least expensive of:
 - 1) housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households (households with incomes in the lowest 60% of the income distribution for the regional market area); or
 - 2) housing for which the purchase price is at least 10 percent below the average price of a resale unit in the regional market area (City of Guelph);

- b) In the case of rental housing, the least expensive of:
 - 1) a unit for which the rent does not exceed 30 percent of gross annual household income for low and moderate income rental households; or
 - 2) a unit for which the rent is at or below the average market rent of a unit in the regional *market area*.

The State of Housing Report quantifies the following income based and market based prices for both ownership and rental housing in accordance with the PPS definition:

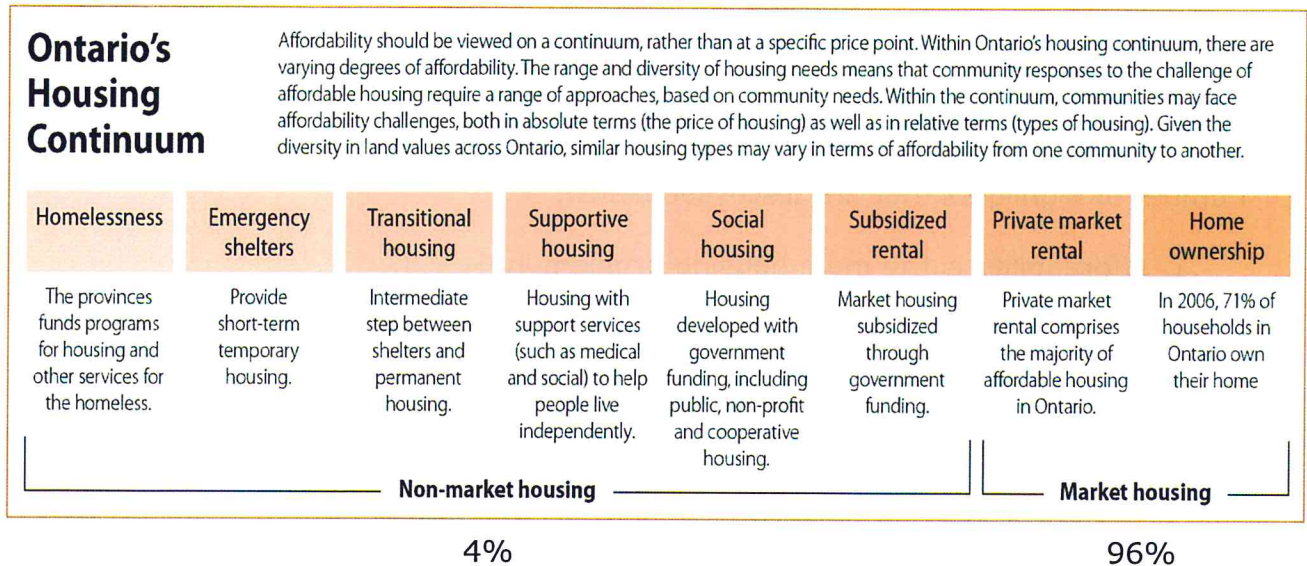
	2013	
	Ownership	Rental
Market Based (a2,b2)	\$294,000	\$944
Income Based (a1, b1)	\$316,000	\$1,153
Benchmark Price	\$294,000	\$944

For the City of Guelph, the affordable housing benchmark is set at a price of \$294,000 for ownership housing and \$944 for rental housing to align with the provincial definition of affordable housing. The year 2013 was chosen because it is the most recent year where data was fully available for ownership housing.

Housing Continuum in Guelph

The housing continuum is also described and quantified in the State of Housing Report for the City of Guelph to understand the relative proportion of each component in terms of number of units available in the City's housing stock (See Figure 1).

Figure 1:



Within the City of Guelph approximately 96% of the housing supply is market housing (65% ownership, 31% rental) leaving 4% as non-market housing which includes emergency shelters, transitional housing, supportive housing, social housing and subsidized market housing. The percentage split of housing types is based on a cross tabulation of data within the MPAC database, listing of registered accessory apartments and an inventory of non-market housing units for the City of Guelph. The scope of this strategy focuses on the market supply of housing.

The market end of the continuum was further explored in terms of the number of units in rental and ownership housing. The rental housing market is made up of both primary market units and secondary market units. Primary rental market units are defined as buildings containing three or more units specifically developed for the rental market (typically apartment and townhouse units). Each year, CMHC conducts a rental market survey on the primary rental market which reports on vacancy rates and average rents. Secondary rental market units include accessory apartment units, rented condominiums and other housing units rented out by the owner of the unit. CMHC does not report on Guelph's secondary rental market. Guelph staff completed secondary rental market research during November and December of 2014 which included a survey of the City's 2,123 registered accessory apartments (all units registered as of Dec. 2013 were invited to participate in the survey) (See Attachment 3) and a study of advertised vacant units which meet the definition of secondary rental market. The research was completed during this timeframe to generally align with the timing of the CMHC Rental Market Survey (Fall) and to ensure figures are not skewed by rental market activity generated primarily by the City's student population.

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In the City of Guelph, approximately 55% of rental market units are within the primary rental market with 45% within the secondary rental market based on a cross tabulation of data within the MPAC database, listing of registered accessory apartments and an inventory of non-market housing units for the City of Guelph.

Demographic and Statistical Analysis Highlights

The demographic and statistical analysis of households in Guelph uncovered a number of highlights that are discussed below.

1. Affordability is the main housing problem in Guelph.
 - 6,700 households cannot afford a suitable housing unit (i.e. they are in core housing need). A household is in core housing need if it falls below at least one of the adequacy (not requiring any major repair), affordability or suitability (enough bedrooms for size and composition of resident households) standards and it would have to spend 30% or more of gross income to pay median rent of alternative local housing that is acceptable (meets all three standards).
 - As of December 31, 2014 there were 881 Guelph households on the Service Manager's RGI waiting list for social housing units. The number of social housing units has remained constant since 1995 and all housing provider RGI operating agreements will expire between 2016 and 2031.
 - Overcrowding and state of repair of the overall housing stock are not significant problems.

2. Demographic change will influence housing demand.
 - Guelph's population is aging, which has impacts on the need for rental housing and multi-unit housing structure types.
 - One person households are the fastest growing household type in Guelph over the past 15 years. They currently comprise over one-quarter of all household types and the largest share (43%) of all renter household types.
 - The number of persons per household is also shrinking, further increasing the need for smaller units by 2031. Over the last 15 years household sizes have decreased from 2.7 persons per unit to 2.5 persons per unit. A continued decline of household sizes is forecasted to 2.4 persons per unit by 2031, meaning that more residential units are needed to house the City's forecasted population growth.
 - A comparison of the City's current housing supply with the number of bedrooms required by a household shows an insufficient number of smaller units for today's smaller households which means households need to seek out larger units which may result in affordability challenges. The affordability challenges of one person households for a suitable sized unit was greatest with one person renter households in the 50th income percentile (median income) not being able to afford to rent a bachelor unit and one person households in the 70th income

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percentile not being able to afford to purchase a bachelor unit, priced 10% below the average price of a resale unit.

3. New construction is shifting toward more multi-unit housing types in line with forecasts.
 - Recent new residential construction has shifted towards more apartment and townhouse units which, in 2014 accounted for 64% of residential building permits. This trend reflects demographic, market and policy changes arising from the Provincial Growth Plan.
4. Renting is generally more affordable than homeownership. However renters are experiencing greater affordability challenges than homeowners.
 - More rental households (41%) spend 30% of their household income on housing than ownership households (20%).
 - Rental households face a greater challenge in finding housing given the City's vacancy rate of 0.6% (April 2015) which is the lowest in Ontario and according to FCM¹ is well below a widely accepted balanced and healthy vacancy rate of 3%.
 - Rental rates have increased at a faster pace than incomes for low and moderate renter households.
 - The lack of new primary rental construction and low vacancy rate along with a greater variety of housing types, locations and rental rates within the secondary rental market, is contributing to households looking to the secondary rental market to find appropriate accommodation. However, the secondary rental market does not have the same supply protection as the primary rental market (e.g. demolition and condominium conversion policy protection) and can be more transient in nature. The City's recent survey of registered accessory apartments showed that approximately 25% of the units were not being rented at the time of the survey. In addition, rents within the secondary rental market can be higher than in the primary market in part due to the inclusion of newer condominium units being rented.
5. Housing prices are rising at a greater rate than incomes and rents.
 - Home ownership prices have increased at a substantially faster pace than incomes for low and moderate income households.
 - Maintenance of historically low mortgage rates continues to fuel homeownership.
6. Loss of rental stock through demolitions and condominium conversions is not an issue.

¹ Federation of Canadian Municipalities, "No Vacancy: Trends in Rental Housing in Canada" (2012) http://www.fcm.ca/Documents/reports/FCM/No_Vacancy_Trends_in_Rental_Housing_in_Canada_EN.pdf

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- Over the last twenty years an average of 12 residential dwellings per year have been demolished with the vast majority being replaced with new housing stock.
- Over the last twenty years a total of 172 rental units, which is an average of eight (8) rental units per year, have been lost to condominium conversions.

Achieving the Targets

The City's Official Plan Update (OPA 48) includes policy that establishes a target for the creation of affordable housing. The annual target is 30% of all new housing to be affordable (3% primary rental and 27% ownership). The City has exceeded its ownership target each year from 2009-2013 with approximately 48% of new residential units being at or below the affordable housing benchmark price. Approximately 94% of new ownership units that have been sold for less than the affordable benchmark price have been apartment and townhouse units. In contrast, the primary rental target has not been met. New residential construction continues to focus on the ownership market, including condominium apartment and townhouse units. However, recent residential developments have also included the secondary rental market, with investors purchasing condominium units with the intent to rent.

In addition a separate annual target of 90 accessory apartments was established which has been exceeded with an average of 145 accessory apartments being registered per year from 2009-2013 (the long term average of 117 registered units per year from 1995-2014 also exceeds the target).

Identifying Preliminary Housing Issues

On February 12, 2015, the City held a focus group session by invitation with key stakeholders to present the preliminary analysis of the State of Housing Report and engage them in the identification and confirmation of affordable housing issues to be addressed in the Strategy. Seventeen key stakeholders from the following groups were in attendance: CMHC, County of Wellington, Developer/Homebuilder, Guelph and District Association of Realtors, Habitat for Humanity, COALT (Community Older Adult Leadership Team), Poverty Task Force, University of Guelph, Central Student Association and Wellington Guelph Housing Committee.

In general, support was expressed for much of the data analysis presented. The results were considered to be reflective of stakeholder experience and in some cases additional information was requested to further flesh out issues. For example, more information was wanted about smaller households to better scope the issues. The work was expanded to include findings on one person households and primary household maintainers in the attached State of Housing Report.

Attachment 4 summarizes the input provided by the stakeholders at the focus group session on preliminary affordable housing issues. The attached State of Housing Report reflects many of the suggestions made by the participants.

An overall problem statement for the Affordable Housing Strategy was developed. Having an overall problem statement helps maintain the scope and focus of the Affordable Housing Strategy and provides context to the issue statements.

The problem statement is: **the range of housing options available in Guelph is not fully meeting the affordability needs of low and moderate income households.**

The remaining three preliminary issues were refined and these issues will be the focus of the Draft Directions Report. The issues are:

1. There are not enough small units to rent or buy to meet the affordability needs of all smaller households.
2. A lack of available primary rental supply makes it difficult for people to find affordable rental housing.
3. The secondary rental market provides choice of affordable dwelling types but the supply is not as secure as the primary rental market.

On June 17, 2015 a Council Workshop on affordable housing was held as a means of building awareness and understanding around the roles, responsibilities and issues impacting affordable housing across the full housing continuum, including non-market and market housing. The Council Workshop also provided Council members with an opportunity to provide input into the Province's Long-term Affordable Housing Strategy. The workshop reinforced Council's desire to take action on affordable housing, a priority identified on the shared agenda produced by Council and City staff. The workshop results will help inform the next phase of the Affordable Housing Strategy which will present draft directions to address the identified affordable housing issues.

Community Engagement Approach and Work Plan

Attachment 5 presents the work plan and community engagement process for the Affordable Housing Strategy.

There are three stages involved in the development of the Strategy. A final Affordable Housing Strategy is scheduled for public release in Q2 2016. The release of project work in phases and the release of a draft Affordable Housing Strategy ensure Committee/Council members and community stakeholders are aware of and can provide input into project results and recommended actions prior to staff proceeding forward on the development of a final Affordable Housing Strategy for the community.

The work plan includes many and varied opportunities for community engagement along with the opportunity for community members to delegate at Committee and Council meetings when the Affordable Housing Strategy work is presented. The community engagement approach includes the following targeted and broad

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community consultation events:

Event	Proposed Timing
1. Accessory Apartment Survey	November – December 2014
2. Key Stakeholder Focus Group Session on Preliminary Issues	February 2015
3. Council Affordable Housing Workshop	June 2015
4. Release of State of Housing Report	October 2015
5. Release of and Community Engagement on Draft Directions	December - January 2016
6. Release of and Public Feedback Opportunity on Draft Affordable Housing Strategy	Q1 2016
7. Finalization of Affordable Housing Strategy	Q2

In addition to key stakeholder focus group sessions, broader community consultation will occur with the release of the Draft Directions Report which will include a discussion of tools available and proposed directions to address identified affordable housing issues. The targeted discussions with key stakeholders will help refine the work presented to the broader public, especially the analysis of data and tools available to address identified affordable housing issues.

Affordable Housing Reserve

The continued use of an Affordable Housing Reserve in financially incenting the creation of affordable housing across the full continuum will be reviewed and recommendations provided once the Affordable Housing Strategy is largely complete and the City has established recommended approaches to addressing affordable housing issues on the market end of the continuum which will complement the non-market strategies and recommendations contained in the Guelph and Wellington 10 Year Housing and Homelessness Plan (See Attachment 5). The review, to be completed by Q2 2016, will include recommended funding levels, policies and processes to administer the reserve, including eligibility criteria.

Next Steps

The three preliminary housing issues identified in this report provide the scope for the Draft Directions Report which will identify available tools and draft directions to address the preliminary housing issues.

The community will be consulted on the tools identified by staff and how they could be used to address the issues. Tools could include regulatory responses (e.g. Zoning Amendment), policies and procedures (e.g. development approvals process), financial (e.g. reserves, grants) and other (e.g. partnerships, communications, advocacy). The community will also be engaged on the Affordable Housing

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Strategy issues and directions with the release of the Draft Directions Report. The Draft Affordable Housing Strategy will incorporate findings from the Background Report, State of Housing Report and Draft Directions Report.

CORPORATE STRATEGIC PLAN:

2.2 Innovation in Local Government - Deliver public services better.

3.1 City Building - Ensure a well-designed, safe, inclusive, appealing and sustainable City.

FINANCIAL IMPLICATIONS:

Council approved a capital budget of \$40,000 for completion of the Housing Strategy. The budget has been used for data acquisition and analysis, including a survey of registered accessory apartments. Funds remain for the implementation of a community engagement process.

DEPARTMENTAL CONSULTATION:

The State of Housing Report was developed with the assistance of a cross departmental team with representatives from Planning, Urban Design and Building Services; and Culture, Tourism and Community Investments. Intergovernmental Relations, Policy and Open Government; Communications and Customer Service; and Finance staff will be consulted during subsequent phases of the work plan.

COMMUNICATIONS:

A Community Engagement Plan has been developed in coordination with Community Engagement and Communications staff. The public will be consulted throughout this process.

ATTACHMENTS

- *Attachment 1 Staff Report 14-15 Housing Strategy Background Report and Proposed Project Charter
- Attachment 2 State of Housing Report
- Attachment 3 Registered Accessory Apartment Survey Results
- Attachment 4 Affordable Housing Strategy: Focus Group Feedback on Issues
- Attachment 5 Affordable Housing Strategy Work Plan and Community Engagement Process

* Attachment 1 is available on the City of Guelph website at <http://guelph.ca/housing>. Click on the link for the Oct 6, 2015 Affordable Housing Strategy: State of Housing Report (with attachments).

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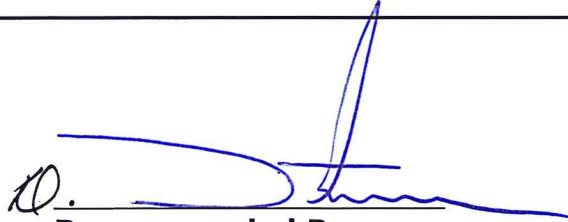
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