



Affordable Housing Strategy

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Appendix 1 Government Roles and Responsibilities in Affordable Housing

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1 Introduction

Where you live impacts how you live. Having an appropriate, safe and affordable place to call home contributes to all aspects of individual development. It promotes positive health outcomes, supports strong educational and economic achievement, encourages social inclusion and helps to reduce poverty and homelessness. All of which are essential to maintaining community health and wellbeing.

The provision of a full range and mix of housing options to meet the changing needs of the population is a fundamental component of the City of Guelph's sustainable community vision. One of the key priorities of the City's Corporate Strategic Plan (2012-2016) is, "to ensure a well-designed, safe, inclusive, appealing and sustainable City." Accordingly, the City has undertaken the development of an Affordable Housing Strategy with a focus on private market housing for low and moderate income households.

The Affordable Housing Strategy addresses municipal requirements under the Provincial Policy Statement, 2014 and the Provincial Growth Plan, 2006. It builds on the City's Official Plan Update (OPA 48, currently under appeal to the Ontario Municipal Board), which establishes a framework for planning for a range and mix of housing types and densities, through appropriate land use designations and supporting policies. Further clarity is provided around affordability issues and concrete recommendations regarding how to advance the Official Plan affordable housing target that 30% of all new residential units constructed be affordable. This target is broken down into an annual affordable housing target of 25% affordable ownership housing, 1% affordable primary rental and 4% affordable secondary rental.

The Affordable Housing Strategy focuses on policy drivers, tools and incentives available to the City, in its role as the local land use planning authority. It also assists Council in responding to affordable housing funding opportunities and the City's potential role in funding or incenting affordable housing projects. The opportunity to integrate recommended actions with existing policies and processes, including other funding sources, growth management monitoring and other monitoring processes, will also be explored.

2 Background

2.1 Scope

The Affordable Housing Strategy focuses on affordable private market rental and home ownership housing. The project scope focused on policy drivers, roles, responsibilities and tools available to the City. 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. The City's Affordable Housing Strategy is meant to complement rather than duplicate the Ten-Year Housing and Homelessness Plan, by ensuring that, where appropriate, complementary and value-added strategies are

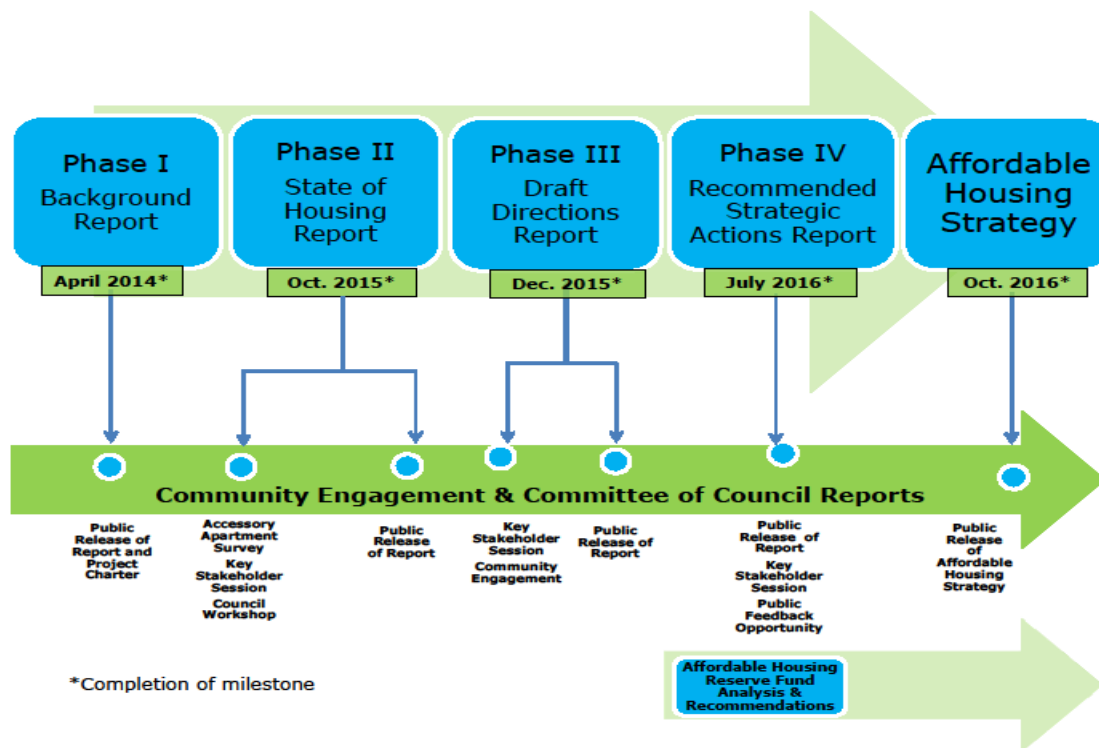
developed. The Ten-Year Housing and Homelessness Plan for Guelph Wellington, produced by the Service Manager (County of Wellington) in collaboration with the City and other community members, outlines the community’s plan for non-market housing.

2.2 Approach

The Affordable Housing Strategy was completed in phases with community engagement opportunities provided at key stages. The following four phases are shown in Figure 1 and discussed below:

1. Background Report
2. State of Housing Report
3. Draft Directions Report
4. Recommended Strategic Directions

Figure 1: Affordable Housing Strategy Process



Background Report

The Background Report was presented to Council in April 2014 for receipt and it explained the purpose and scope of the strategy. The Housing Strategy Project Charter attached to the staff report was approved by Council at the same time. The report also provided additional context for the strategy including an explanation of the housing continuum, definition of affordable housing, government roles, responsibilities and relationships, official plan policies and past studies and reports on housing.

State of Housing Report

The State of Housing report was presented to Council in October 2015 for receipt. The State of Housing report built on the foundation provided by the background report and provided a demographic and statistical analysis of the current state of housing in the City of Guelph. The report also updated affordable housing benchmark rents and home ownership prices, and measured the City's affordable housing targets to see if they were met over the period from 2009 to 2013. The report identified three issues that emerged out of the data analysis as well as a problem statement for the City's affordable housing issues. The problem statement and issues provided the framework for the draft directions report.

Draft Directions Report

The Draft Directions Report was presented to Council in December 2015 for receipt and Council supported its use in community engagement to further develop actions for the affordable housing strategy. The Draft Directions Report assessed the tools available to municipalities in order to present draft directions to help address the affordable housing problem statement and issues that emerged from the data analysis and community engagement work presented in the State of Housing report. In addition strategies and tools developed and used by other municipalities were reviewed with a focus on comparator municipalities.

The tools assessed were based in part on a guide produced by the Ministry of Municipal Affairs and Housing entitled "Municipal Tools for Affordable Housing". Regulatory responses include Municipal Act, Planning Act and Development Charges Act responses. Policies and procedure responses include complete application requirements and height and density bonusing procedures. Financial responses include financial incentives for private market and not-for-profit developers. Partnership responses include working with other stakeholders on potential housing projects. Advocacy work revolves around provincial regulations for inclusionary zoning, which would allow a municipality to request development applications to include affordable housing units.

An initial assessment of the potential of each draft direction to yield results was undertaken by City staff. The assessment served as a starting point for discussions with the public to identify actions with the greatest potential to address the identified housing issues. Each draft direction was assigned a high, medium or low potential based on the degree of city control, impact on the issues and ease of implementation.

Recommended Strategic Actions Report

The Recommended Strategic Actions report was presented to Council in July 2016 for receipt and Council endorsed its use for continued community engagement in the preparation of the final Affordable Housing Strategy. The Recommended Strategic Actions report presented recommendations for a final strategy to:

- support achievement of the city-wide 30% affordable housing target;
- monitor achievement of the target; and

- address affordable housing issues on the market end of the housing continuum.

The recommended strategic actions drew upon the draft directions, community engagement results and additional research to determine which draft directions to incorporate into the Affordable Housing Strategy. The preferred approach is to build on current tools/approaches, connect with relevant corporate projects and propose actions that are respectful of the roles and responsibilities of the City and its potential partners.

Community Engagement

The community has been both informed and consulted through each phase of the strategy. The Background Report was publicly released which informed the public of the work underway including the reason and scope of the strategy. The State of Housing Report was also publicly released providing stakeholders and the public with the results of our research and demographic and statistical analysis. Preliminary research results and the identification of draft issues were shared with key stakeholders prior to the release of the State of Housing Report to ensure our analysis was complete and accurate. In addition a Council Workshop was held on June 17, 2015 to provide Council members an opportunity to become more familiar with the project and directions it could take.

With the release of the background and data reports, sufficient foundational materials were available to support a fulsome community engagement process on draft directions to ensure the draft directions represent a comprehensive response to the issues in light of the tools available to the City of Guelph.

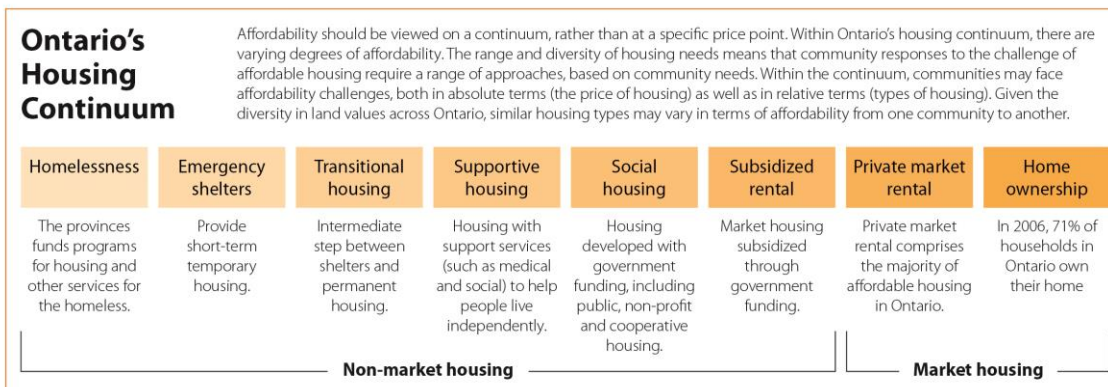
The Recommended Strategic Actions Report was released publicly on June 30, 2016 with a request for any public comments by August 3, 2016. In addition a follow-up key stakeholder session was held to discuss the recommended actions.

2.3 The Housing Continuum

The City of Guelph is committed to promoting an appropriate range of housing types and densities, including affordable housing, to maintain and enhance a healthy and complete community. Affordable housing is viewed across a full continuum of housing which includes non-market housing (e.g. social housing) and market housing (i.e. private market rental and home ownership).

Figure 2 presents a housing continuum with homelessness at one end of the spectrum and home ownership at the other end.

Figure 2 - The Housing Continuum



source: MMAH, Municipal tools for affordable housing, summer 2011

In the City of Guelph, an analysis of MPAC data reveals that in 2013 there were close to 53,000 housing units in the City with 4% of the supply being non-market units, 31% private market rental units and 65% homeownership units. Within the rental supply, approximately 55% is considered primary rental units (purpose-built units) and 45% are secondary rental units (ownership units (e.g. condominium units, single detached homes and accessory apartments) being rented).

2.4 Defining Affordable Housing – What Does it Mean?

There are numerous definitions of affordable housing. Traditionally within the housing industry and according to Canada Mortgage and Housing Corporation (CMHC), housing is affordable for a given household if it costs less than 30% of gross (before-tax) household income.

For the purposes of this strategy, the Province's definition, in the Provincial Policy Statement 2014, of affordable housing, which has been incorporated into the City's Official Plan, is used.

The Provincial Policy Statement (PPS) 2014 defines affordable as meaning:

"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*; or
2. housing for which the purchase price is at least 10% below the average purchase price of a resale unit in the *regional market area*;

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 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 Province's Growth Plan and the PPS define low and moderate income households as those with an annual income at the 60th percentile or less within the

regional market area. The City of Guelph is the regional market area for the purpose of applying these definitions and an annual income between the 30th to 60th percentiles is used. As noted in the Ten-Year Housing and Homelessness Plan for Guelph Wellington, annual incomes below the 30th percentile are generally served by social (RGI) housing.

Table 1 presents affordable housing benchmark prices and corresponding low to moderate household income ranges calculated for the City of Guelph in 2015 based on the above definitions:

Table 1 - Affordable Housing Benchmarks, 2015

| | Market Based Benchmark | Income Based Benchmark | Low to Moderate Household Income |
|-----------|-------------------------------|-------------------------------|---|
| Ownership | \$327,000 | \$339,329 | \$46,539 - \$91,828 |
| Rental | \$1,003 | \$1,194 | \$24,218 - \$47,772 |

2.5 Community Connections – Who Does What?

All levels of government continue to be involved with affordable housing. However, the roles and responsibilities have changed over the years. Senior levels of government have devolved themselves of direct service provision and are focusing on research and funding programs, leaving it to designated Service Manager municipalities (e.g. Wellington County) to deliver homelessness and social housing services and allocate program funding where available.

The Federal government has begun work on a National Housing Strategy which is undergoing a public consultation period which ends October 21, 2016. Provincial legislative changes are also occurring increasing the tools available to all municipalities in supporting a full range and mix of housing, including affordable housing. Appendix 1 presents a brief summary of government roles in affordable housing.

2.6 City Connections – What is the City Doing?

The City supports a full range of housing types through its Official Plan policies and Zoning By-law. The City’s Official Plan Update (OPA 48), 2012 is the main policy document for the City that guides the type, form and location of growth in the City. The policies support a range and mix of housing types and densities throughout the City through land use designations and intensification policies. Through its growth management work the City ensures that sufficient lands are available to meet projected population and household needs and that growth plan targets for built-up and greenfield areas are monitored and met. Affordable housing targets for both ownership and rental housing have been incorporated within the Official Plan and measured in the State of Housing report.

The City has a number of tools in place that assist with the provision of affordable housing. For example, in 1998 the City instigated a “New Multi-residential” property tax class for newly constructed multi-residential buildings (seven or more apartment units under single ownership, i.e. rental apartments) that was equal to the “Residential” property class to help stimulate the development of multi-

residential housing that can be a form of affordable housing. The "New Multi-residential" property tax class applies for a period of 35 years for any developments that occurred since 1998. After the 35 years is over the properties are taxed at the "Multi-residential" property tax rate. The "New Multi-residential" property tax rate (approximately 1.03% in 2015) is less than half of the rate set for "Multi-residential" properties (approximately 2.1% in 2015). Since the inception of the new multi-residential property tax class in 1998, 302 primary rental units have been created with the largest percentage of known unit sizes being one bedroom.

The equalized tax approach should be maintained, however the City should consider future changes to the existing "Multi-residential" property tax rate so that the rates are moved closer together removing the different treatment of multi-residential properties (new vs. existing prior to 2002) which could remove the ultimate need for a separate "New Multi-residential" property tax rate.

The City also currently exempts three affordable housing projects from property taxation located at 32 Gordon Street, 371 Waterloo Avenue and 747 Paisley Road. The taxes exempted total approximately \$77,000 per year. Between 2006 to 2015 the City has supported these affordable housing projects through property tax exemptions to a total of over \$660,000. Although out of scope of the Affordable Housing Strategy's focus on market housing, the City also started exempting the new affordable housing supportive project at 187 Bristol Street from property taxation in 2016, increasing the total annual property tax exemption for affordable housing to approximately \$95,000 annually.

The City has been viewed as a best practice for its accessory apartment regulations. Over the last 10 years (2007-2016) on average, 120 accessory apartments have been registered each year. As of December 31, 2016 there were in excess of 2,500 registered accessory apartments within the City. These units provide both affordable home ownership and secondary rental options. The accessory apartments tend to have lower rental rates than other types of rental units and tend to service smaller household sizes given the current two bedroom size limit. However, based on a survey of registered accessory apartments conducted during November-December 2014, 22% of accessory apartments were not being rented at the time.

The Affordable Housing Reserve fund created in 2002 has provided approximately \$1.3 million in funding for a full range of housing including emergency housing (e.g. Wyndham House), non-profit social housing (e.g. Guelph Non-Profit Housing) and ownership housing by a non-profit group (e.g. Habitat for Humanity). The funding has supported the creation of 16 emergency shelter units, nine transitional housing units, 84 rental units and 196 ownership housing units, each project having its own agreement and unique funding levels.

The City continues to work closely with the County as the Service Manager. The City pays its apportioned costs for social housing and homelessness programs to the County. In 2016 the City budgeted \$19.9 million to the Service Manager representing approximately 60% of total program costs. In addition, as a

community partner, the City provided support to the development of the Ten-Year Housing and Homelessness Plan for Guelph Wellington.

The City advocates for improved approaches to affordable housing by making submissions to the federal and/or provincial levels of government regarding proposed policy and program changes. Municipal incentives and tools are limited. Increasing income levels and/or funding levels for affordable housing, providing financial tax incentives and legislative changes around policy tools (e.g. inclusive zoning, OMB reform) can all help leverage the City's initiatives. For example the City made a submission regarding proposed changes to the Province's Long-Term Affordable Housing Strategy.

The City should continue to respond to public input opportunities regarding senior government and Service Manager policy and program changes that could impact affordable housing. In addition the City should look at taking a more proactive coordinated approach by actively meeting with senior levels of government and the Service Manager over changes proposed.

3 The State of Housing – A Look at the Guelph Housing Market

Understanding the state of housing helps to identify and provide clarity around the affordable housing issues affecting rental and ownership market housing in the City of Guelph. The following section provides highlights that helped inform the strategic actions.

Demographic and Economic Drivers

- **High household growth** – The population of Guelph is growing, which will contribute to strong household formation and housing demand. The number of households in Guelph is projected to rise 48% between 2011 and 2031.
- **Aging population** - The population is aging, and there is an increasing desire among seniors to "age in place". The increase in the proportion of seniors in the community will increase the demand for adaptable and accessible, multiple-unit housing. Affordability for seniors living on fixed incomes will also be a factor.
- **Immigration** – Immigration is expected to be a strong contributor of population growth in the Greater Golden Horseshoe area, which includes Guelph. Recent immigrants will increase the demand for rental accommodations.
- **People on the move** - Between 2006 and 2011, over 27,000 individuals changed houses within Guelph. In addition, 20,000 individuals moved to Guelph from other places. The majority of these new residents are intra-provincial migrants (i.e. moved to Guelph from other municipalities in Ontario).

- **Low unemployment** – Guelph has consistently outperformed the provincial average on a range of labour force indicators (i.e. participation rate, employment rate, etc.) over the past decade. Guelph typically holds one of the lowest unemployment rates in Ontario. When unemployment rates are low, more people are typically able to afford a house.
- **Many commuters** - The cost of housing is a determining factor in where a worker chooses to live. In 2011, about 25,000 workers commuted to positions located in Guelph, while roughly 15,000 Guelph residents travelled to jobs located outside the City. All told, Guelph residents held 61% of jobs located in the City of Guelph. The majority of external workers come from Waterloo Region and Wellington County
- **Earnings** - In 2014, half of Guelph’s labour force earns less than \$23 per hour, which equates to an annualized full-time salary of approximately \$43,000 per year. Households whose primary income source is derived from earnings in low paying industries and occupations tend to require affordable housing options.
- **Household Income** – Average household incomes in Guelph are slightly below the provincial average. In general, tenant households have lower incomes than homeowners.

Household Characteristics

- **Shrinking household size** - At present, the average household size in Guelph is 2.5 individuals. The average size of households has been declining for over 20 years, and this trend is expected to continue. In Guelph, the share of one person households has increased, while the proportion of three or more person households has declined.
- **More one person households** - Individuals living alone have been 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.
- **Seniors living alone** – Seniors make up the largest segment (37%) of all one person households. Many of these seniors are living on fixed incomes, and will require affordable housing options. The median household income for this group (\$32,379) is the lowest of all household types.
- **Age of homeowners** - Three-quarters of primary household maintainers above the age of 35 own their home, and homeownership rates remain high throughout the senior years.
- **Predominant structure type** - In general, renter households tend to occupy apartment structures while a majority of ownership households occupy single detached dwellings. Occupancy levels reflect the nature of the rental and ownership housing stock available.

Housing Supply

- **Composition of housing stock** - While there has been an increase in the number of new apartments and townhouse units being constructed in recent years, Guelph's housing stock is predominantly comprised of low density housing.
- **Condominium conversions** - Demolitions and rental conversions are not resulting in a significant loss of total rental housing stock.
- **Low vacancy rate** - The vacancy rate for Guelph's primary rental market is currently 0.6% (April 2015), well below the balanced and healthy benchmark of 3%.
- **Increasing rental rates** - Between 2011 and 2014, the private market rental rates for Guelph increased 8%, above the CPI rate of inflation for Ontario of 5% during this time period.
- **Secondary rental market** - 45% of Guelph's rental units are in the secondary market, and are considered to be temporary. Almost one-quarter of all accessory apartments are not rented.
- **Rising house prices** - The average resale price of a home was \$327,062 in 2013 - up 25% since 2009, well above the CPI for Ontario of 8% during this time period.
- **Non-market housing** - Non-market housing represents 4% of the total housing stock in Guelph. The City currently supports non-market housing by providing funding support to the Service Manager, as well as through its historic use of Affordable Housing Reserve funds to incent the development of affordable housing units.

Housing Affordability, Suitability and Adequacy

- **Affordability challenges** - One-quarter of Guelph's households spent above the affordability threshold for housing in 2011. Renters are more likely than homeowners to have affordability challenges.
- **Lack of small housing units** - There is a shortfall of bachelor and one bedroom units, and an abundant supply of dwelling types consisting of three or more bedrooms. The projected rise in the number of one person households will further increase the demand for small units.
- **In good condition** - Over 90% of the overall housing stock is in good condition, requiring only regular maintenance and minor repairs.
- **Households in core housing need** - 11% of all Guelph households were living in core housing need in 2011. The incidence is highest among renters, lone parent households, and one person households.

4 Updating Benchmarks and Achieving Targets

Provincial legislation requires the City to set a target for housing that is affordable for low and moderate income households. The Province defines affordable housing and prescribes how affordable housing is measured but does not prescribe a target or method to determine the target. The goal of the Affordable Housing Strategy is to ensure that affordable housing is included in the range and mix of housing provided for all households across the City. Progress towards this goal will be measured by a number of key indicators including the vacancy rate, core housing need and how new residential construction is performing against the affordable housing target.

The Affordable Housing Strategy sets an annual city-wide 30% target with a target breakdown of 25% affordable ownership units, 1% affordable primary rental units, and 4% affordable secondary rental market units (See Appendix 3). The separate annual target for accessory apartments is no longer required since the accessory apartments are now included within the affordable rental target.

The City projects a population of approximately 169,000 people (excluding the Census undercount) by the year 2031. Projected household growth in Guelph between 2013 and 2031 equates to an average of 1,170 new units per year based on Watson & Associates Development Charge Background Study, 2014. Applying the affordable housing target of 30% equates to 352 dwelling units being affordable annually (293 ownership and 59 rental, of which 12 are to be primary rental units).

The income based and market based prices for both ownership and rental housing have been quantified in accordance with the PPS definition and measured whether or not the City's new housing stock met the targets over the period from 2009 to 2015.

The affordable ownership target of 25% was exceeded each year. Between 2009 and 2015 we have data for a total of 3,982 new units that were sold with 46% of them priced below the affordable benchmark price. The majority of units below the affordable benchmark price (95%) were apartment or townhouse units.

The 5% affordable rental target, which includes a 1% affordable primary rental target, measured as a five year average with 2009 as the base year, was met between 2009 and 2013 due to the 80 affordable apartment units for seniors created in 2012. In addition, the new affordable accessory apartment units created between 2009 and 2016 were between 3.6% and 10.3% of new housing units per year. No affordable purpose built secondary rental was constructed during this time. Accordingly, the 4% secondary rental target was met in each year except for 2010, when 3.6% of units built were affordable accessory apartments.

Additional details on the method for determining the target are included as Appendix 3.

5 Housing Economics

The economics of residential development in the private market suggests the need for financial incentives to encourage development to be offered at more affordable prices. Specifically the City has been able to meet its affordable homeownership target every year since 2009. The secondary rental target was met every year since 2009, except for 2010. The primary rental target, measured as a five year average, was met in the 2009-2013 period through the development of 80 affordable apartment units for seniors at The Residences of St. Joseph's with government subsidies in 2012. In addition there is high need for smaller units (bachelor and one bedroom) for smaller households who experience the highest level of core housing need and represent a growing portion of the City's population. From a financial perspective smaller residential units (bachelor and one bedrooms) tend to be more expensive to construct than larger units with more bedrooms and common amenity areas on a price per square footage basis. The simple fact is that every dwelling unit requires a kitchen and bathroom, which are expensive parts of a house, given servicing and construction costs (e.g. plumbing and electrical infrastructure). Meanwhile the addition of extra bedrooms or common amenity areas represents relatively inexpensive square footage additions that have high perceived value added in the market place. The absence of financial incentives will likely mean that dwelling units will become less affordable.

The City undertook further research on the costs of various types of ownership and rental housing development to help determine the current financial "tipping point" for creating affordable housing that meets the City's benchmark prices. This work helped inform the amount and type of financial incentive recommended to support affordable housing which will assist with the development of a comprehensive policy for an Affordable Housing Incentive Program for permanent housing funded through the Affordable Housing Reserve fund as well as its implementation.

A quantity surveyor was hired to produce proformas based on typical apartment, townhouse and stacked townhouse projects in Guelph covering a range of locations, site conditions and tenures (rented or owned). Based on the analysis, the "tipping point" for rental housing ranged from approximately \$60,000 per unit for an apartment in the downtown with commercial space (0-2 bedroom units) to approximately \$80,000 per unit for a townhouse (3 bedroom) located within the greenfield area. This level of subsidy is generally in line with the City's experience in historically funding affordable housing units and financial incentives provided by other municipalities.

The Canadian Policy Network released a paper on Municipal Incentives for Affordable Housing in Ontario in May 2013. The paper looked at incentives for small, medium and large sized cities (Peterborough, London and Toronto) and in 2013 found that incentives ranging from \$40,156 per unit in Peterborough to \$88,846 per unit in London were used to help include affordable units in a residential project. The projects varied in size and level of average market rent (AMR). Peterborough's project was a three storey building containing 40 two bedroom units (925 ft²) with rents at 90% of AMR. The London project, which

provided larger subsidies, was a three storey walk-up apartment containing 27 one bedroom units (540 ft²) with half of the units with 90% AMR and two thirds not exceeding rents at 80% of AMR. The key incentives that were most impactful were grants, property tax reductions and development charges relief which represent significant expenses apart from land costs, building materials and labour.

This aligns with the City of Guelph's experience. The City's Affordable Housing Reserve fund has focused on providing property tax exemptions, property tax reclassifications, late Development Charge payments and grants to offset Development Charges. In 2003, in response to a Federal/Provincial cost shared affordable housing program (i.e. Canada-Ontario Affordable Housing Program), the City of Guelph provided matching funds of approximately \$19,000 per unit with the Federal and Provincial contribution being approximately \$23,000 per unit, for a total subsidy of \$42,000 per unit (\$53,000 per unit inflated to 2016).

6 The Strategy

The Affordable Housing Strategy provides the implementation framework for the Official Plan's affordable housing objectives and policies. The integrated strategic actions presented below will support achievement of the City's affordable housing target, monitor achievement of the target and respond to identified needs to support a full range and mix of housing including affordable housing.

In general, the approach is to continue with the tools and actions directly connected to the City's roles and responsibilities as a land use planning authority and build on them prior to the introduction of new tools, e.g. explore planning regulations prior to directly getting involved in providing affordable housing. However, it is also important that the City stay current on evolving approaches and explore new tools so that we have the opportunity to incorporate them in our approach as appropriate.

The Affordable Housing Strategy includes and confirms the city-wide 30% target to be implemented through the development application process. The actions included in the Affordable Housing Strategy revolve around the following six areas:

1. Targets
2. Planning Regulations and Processes
3. Financial Incentives
4. Development Charges
5. Partnerships; and
6. Monitoring.

A number of the recommended strategic actions are best addressed and implemented as part of ongoing and/or upcoming planned corporate projects. The recommended strategic actions tend to impact larger processes that go beyond addressing affordable housing issues. Other actions can be implemented independently.

6.1 Problem Statement and Housing Issues

The problem statement for the City of Guelph Affordable Housing Strategy is:

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

According to data, the Guelph market has a sufficient supply of ownership housing but lacks smaller ownership units. The overall supply of rental housing, both small and large units, is insufficient and the security of the secondary rental market is of concern.

The data and community engagement work resulted in the following three affordable housing issues that are the focus of the Affordable Housing Strategy:

Issue 1: There are not enough small units to rent or buy to meet the affordability needs of all smaller households.

Issue 2: A lack of available primary rental supply makes it difficult for people to find affordable rental housing.

Issue 3: The secondary rental market provides choice of affordable dwelling types but the supply is not as secure as the primary rental market.

6.2 Strategic Policy Implementation

Implementing the City's affordable housing target is largely dependent upon designating a suitable amount and density of land for residential use, including mixed use developments. There is a high correlation between the City's growth management policies and the ability to meet both growth management and affordable housing targets. Affordable housing tends to be located within medium and high density developments (i.e. townhouse and apartment units). Medium and high density development is supported throughout the City, especially within the Urban Growth Centre, Intensification Areas and Community Mixed Use Nodes. The added benefit of these areas is that they also promote an affordable lifestyle by supporting transit services and a mix of uses that include important community amenities. In addition development within the greenfield area will be planned and designed to include affordable housing.

The strategy includes and confirms the following three policy positions that provide the implementation framework for meeting the City's affordable housing needs:

1. That the affordable housing target is 30% of all new residential development; 25% affordable ownership, 1% affordable primary rental, and 4% affordable secondary rental.
2. That the City's 30% affordable housing target be implemented city-wide through the development application process. Within the built-up area the

focus is on the Urban Growth Centre, Intensification Corridors and Community Mixed Use Nodes. Development within the greenfield area will be planned and designed to include affordable housing.

3. That all development applications including residential units be required to include a discussion of how the development proposes to address the City's affordable housing target and identified issues as part of the Planning Justification Report or a rationale explaining why the housing target and identified issues are not being addressed.

Appendix 3 presents the recommended strategic actions organized by type of tool.

6.3 Strategic Actions

The strategic actions are presented below by type of tool along with a brief rationale. A number of the strategic actions are best addressed and implemented as part of ongoing and/or upcoming planned corporate projects. Where applicable mention is made of connections to other planned projects.

6.3.1 Targets

Action

1. That the City review the affordable housing target during the next Official Plan review based on factors such as vacancy rate, success of the actions recommended in this Strategy and performance of the market sector in delivering affordable housing.

The 30% target was developed as part of the background work to the City's 2012 Official Plan Update and has been validated through the affordable housing strategy work. The Affordable Housing Strategy work has demonstrated that meeting the affordable primary rental target is a challenge. Focusing actions on the affordable rental market combined with enhanced monitoring will provide a better base to review the target in the future. In addition other data and actions emerging from the affordable housing strategy work support overcoming affordable primary rental market housing challenges. Reviewing the affordable housing target regularly as part of the City's Official Plan review process will keep the target current by reflecting updated monitoring data and the impact of implementing actions from the Affordable Housing Strategy.

6.3.2 Planning Regulations and Processes

Actions

2. That the City's comprehensive review of its Zoning By-law consider:
 - modifications to parking requirements for multiple residential properties and mixed-use developments that include affordable residential units to reduce requirements where appropriate;
 - regulations for accessory apartments in townhouses;
 - a combined low density residential zoning category that would permit both single and semi-detached dwelling units; and
 - pre-zone appropriate sites for medium and high density residential uses that align with the City's Official Plan's (OPA 48) residential designations.

3. That the City of Guelph continue to monitor the Province's work on inclusionary zoning. If inclusionary zoning does become available to municipalities, the City of Guelph will further examine the potential to use this tool to address identified affordable market housing issues within the City of Guelph, e.g. if this tool is needed and if so under what conditions the City of Guelph would choose to pursue this tool, e.g. size and type of development and percentage of affordable housing requested, in the context of the performance and outcomes of the other recommended affordable housing strategic actions.
4. That the affordable housing section required as part of the Planning Justification Report be used to support the City's affordable housing monitoring system and provide staff with a measure of the potential demand and budget requirements for financial incentives.
5. That the City develop a generic Terms of Reference to support the preparation of the affordable housing section of the Planning Justification Report.
6. That when the City produces guidelines for Planning Justification Reports a section be included to satisfy requirements for the submission of an Affordable Housing Report for all residential development applications.
7. That the development of height and density bonusing guidelines under Section 37 of the Planning Act explore how affordable housing may be delivered as a community benefit.
8. That when the City updates its development standards, changes that could impact the provision of affordable housing be considered, recognizing the impact of servicing and land requirements on housing costs. For example consideration should be given to increased Transportation Demand Management measures, shared servicing for coach houses, etc. In addition that future updates of development standards be coordinated with the update of the City's Zoning By-law to ensure documents are aligned where appropriate. While these reviews may not be conducted concurrently, it is important that alignment be addressed.

Removal of Zoning By-law Barriers

The City's Zoning By-law regulates the development of specific housing types along with parking regulations. The regulations are meant to implement the City's Official Plan land use designations and policies. A balance is needed to ensure that developments are compatible with neighbourhood uses yet flexible enough to improve the range and mix of housing supported throughout the City without unnecessary barriers.

Removing unnecessary zoning by-law barriers is best done as part of the City's Comprehensive review of its Zoning By-law since modifications to residential zoning

regulations could impact adjacent non-residential regulations and a thorough review and public process will be conducted.

Inclusionary Zoning

Inclusionary zoning is a new legislative tool that if enacted could allow municipalities to require development applications to include affordable housing units in appropriate locations. For example a municipality could choose to require new housing proposals of a certain size to include a certain percentage of affordable units in order to be approved. On May 18, 2016 the Province introduced the *Promoting Affordable Housing Act, 2016*, that if passed, would amend the *Planning Act* by allowing municipalities to implement inclusionary zoning. Details on the legislative change remain subject to provincial consultation with key stakeholders to help the province develop a framework.

The City of Guelph is continuing to monitor the Province's work on inclusionary zoning. If inclusionary zoning does become available to municipalities it is recommended that the City of Guelph further examine the potential to use this tool to address identified affordable market housing issues. For example, if this tool is needed and if so under what conditions the City would choose to pursue this tool, e.g. size and type of development and percentage of affordable housing requested, in the context of the performance and outcomes of the other recommended affordable housing strategic actions. Changes to the City's Official Plan may also be warranted depending on Council's decision on inclusionary zoning. Official Plan policy 7.2.2.2 states "As part of the *development* approval process, City Council may require the identification of lands for *affordable housing*" which could align with the use of inclusionary zoning.

The use of inclusionary zoning could reduce the pressure placed on other tools and/or work with other tools, such as financial incentives, to meet the City's affordable housing targets.

Work on inclusionary zoning is ongoing and currently involves Policy Planning and Urban Design and Development Planning staff. Future resource needs and timing is dependent on the Provincial policy.

Affordable Housing Report Requirement

The City's existing Official Plan includes a policy that enables the City to request a Housing Issues Report to be submitted as part of a complete application which has been carried over as an Affordable Housing Report in the City's Official Plan Update (OPA48), 2012.

All planning development applications are required to submit a Planning Justification Report or letter. The report is intended to help an applicant present a rationale for the proposed development and to assist staff in reviewing the proposal. The report/letter is required to:

- provide a clear understanding of the proposal;
- highlight information specific or particular to the proposal (i.e. special history or circumstances); and

- demonstrate good planning and how the proposal conforms to the City of Guelph Official Plan, the Provincial Policy Statement, the Growth Plan and other relevant legislation.

At the current time it is recommended that all residential development applications address affordable housing as part of the Planning Justification Report. This approach allows the City to collect relevant information for all residential development. Non-market residential developments could note that the non-market nature of the development, which could include funding sources, satisfies the affordable housing section of the report.

The proposed intent of the affordable housing report section is to:

- make the applicant aware of the City's 30% city-wide target, identified housing issues, and current annual affordable housing monitoring results;
- demonstrate how the proposal addresses the City's affordable housing Official Plan goals, objectives and policies including targets and issues;
- provide staff with relevant information on the proposal to support the City's affordable housing monitoring system; and
- provide staff with a measure of the potential demand and budget requirements for financial incentives.

The proposed Terms of Reference for the affordable housing report section is to include the following:

- Planning rationale noting how the proposal is addressing the City's Official Plan's affordable housing goals, objectives, and policies, including targets;
- Any relevant phasing issues, site and contextual considerations that impact residential affordability;
- Current annual rental and ownership benchmark prices (to be provided by the City);
- Anticipated sale price and/or rental rates;
- Anticipated percentage of units below and above the benchmark prices;
- Number of residential units to be retained and/or removed if relevant;
- Anticipated number of units and structure type(s), including number of bedrooms and description of unit finishing (e.g. modest, high end);
- Nature and amount of shared amenity space if relevant;
- Who the units will be marketed to, e.g. seniors, high end luxury, first time buyers, etc.;
- Anticipated tenure, including ownership (freehold), ownership (condominium), rental, and purpose built secondary rental units;
- Relevant planning process/other applications; and
- Results of all pre-application discussions held with City staff.

Consideration should be given to the following as potential means of lowering housing costs (i.e. sale price, rent):

- Anticipated number of bathrooms in units including ensuites;
- Anticipated floor space in units and building common areas, if applicable; and

- Nature and amount of shared building amenity space in comparison to individual unit space, e.g. decreasing individual unit sizes and increasing shared building amenity space.

If the City decides to use inclusionary zoning, when it becomes available the housing report section could be a mechanism to ensure that all planning development applications address the City's affordable housing target and identified housing issues. Depending on legislative details, flexibility might be available around how development applications could address the target and issues, e.g. percentage of units, cash in lieu, units off site, etc.

An iterative approach is proposed by using the affordable housing report section for monitoring purposes initially along with its potential to help gauge the need/demand for financial incentives, while preserving the opportunity to use the report as an enforcement mechanism with inclusionary zoning, should this tool be operationalized by the City in the future.

The development and subsequent provision of a generic Terms of Reference for the development industry would provide important clarity to what the affordable housing section of a Planning Justification Report needs to contain. Incorporating the Affordable Housing Report into the Planning Justification Report process, works with current City of Guelph planning practices.

A generic Terms of Reference could be initiated in 2017. It is recommended that this work be connected with the guidelines to be developed for Planning Justification Reports as part of the Integrated Operational Review.

Guidelines for Height and Density Bonusing

The City of Guelph's Official Plan OPA 48 includes policies that permit a development application to include additional height and density in exchange for additional identified community benefits that include affordable housing. Affordable housing may be identified as a community benefit as part of a request under Section 37 of the Planning Act for additional height and density.

Exploring how affordable housing may be delivered as a community benefit is best done as part of the development of height and density bonusing guidelines so that it can be considered in conjunction with other community benefits and the overall process.

Development Standards

The City of Guelph is creating a development engineering manual to provide a singular source of current development engineering design standards. The City's intent is to continuously seek to improve the manual by introducing updates to standards, best management practices, and guidelines as they evolve in the industry. As part of this evolutionary approach consideration is to be given to the impacts of Transportation Demand Management measures such as bike lanes and parking regulations on housing costs.

Considering the impact of development standards on housing costs is best done as part of the next review of the City's Development Engineering Manual.

6.3.3 Financial Incentives

Actions

9. That the City provide a variety of financial assistance for the development of affordable housing.
10. That the City provide financial incentives to support the development of both primary rental housing units and purpose built secondary rental housing units with priority given to primary rental units.
11. That financial incentives focus on affordable housing projects containing smaller unit sizes (i.e. bachelor and one bedroom units).
12. That priority be given to affordable housing proposals that include funding from other levels of government.
13. That an annual financial contribution of \$60,000 to \$80,000 per unit be referred to the development of a comprehensive policy for an Affordable Housing Financial Incentive Program for permanent housing funded through the Affordable Housing Reserve fund.

The City needs to cast a wide net to incent the creation of small primary rental units since each potential development application will likely involve unique circumstances. It is important that financial incentives be flexible and recognize the focus of the Affordable Housing Strategy, i.e. private market rental and ownership housing.

An affordable housing CIP would allow the City to direct capital investments, or provide financial incentives (grants), for the construction of affordable housing to private market developers who are instrumental in producing private rental and ownership market housing. As of July 1, 2016 the City can also incent private market developers through a municipal capital facilities by-law and agreement. The regulation that restricted the use of municipal capital facilities by-laws and agreements to service managers was repealed. Accordingly a CIP is not necessarily required in order to provide incentives for affordable housing to private developers.

Financial incentives can take the form of tax supported grants to offset municipal fees, studies, construction costs, etc. Tax increment-based grants (TIBGs) are a type of grant used widely in CIPs that may be adaptable to grants enabled by municipal capital facilities by-laws. Essentially a grant is provided to developers to offset the costs of an eligible project. The value of the grant is based on the increase in municipal taxes generated by the project for a set period of time. In addition a grant equal to the amount of development charges, could be provided without the need to modify the City's Development Charges By-law.

The City's financial incentives should focus on achieving the City's affordable housing targets and address identified housing issues. The City's main challenge has been meeting the 1% affordable primary rental housing target without financial incentives which equates to approximately 60 rental units in a five year period. The additional research undertaken on the costs of development revealed that \$60,000 to \$80,000 represents the financial hurdle or "tipping point" for development to be financially viable with a reasonable rate of return in the current Guelph market for creating affordable rental housing that meets the City's benchmark price. While financial incentives are the most impactful, the Affordable Housing Strategy includes other actions that support meeting the City's affordable rental target and identified housing issues. In addition, potential tools and resources provided by other orders of government are still under development and could positively affect the City's ability to meet the rental housing target. Since the strategy as a whole is directed at increasing supply and addressing meeting the targets, staff are of the opinion that financial incentives are not required for 100% of the units.

Staff note that setting aside sufficient funds to incent 50% of the City's affordable primary rental target would equate to approximately \$360,000 to \$480,000 annually representing six units at \$60,000 to \$80,000 per unit. The annual financial allotment would allow the City to participate in cost shared government programs and provide direct incentives. Over time staff will assess the impact of the other actions from the Affordable Housing Strategy on meeting affordable housing targets and identified housing issues; the market's ability to supply units and assess the effectiveness and future need for incentives.

Sufficient funds are needed to ensure that smaller units are funded, despite their increased costs per square footage, to meet the needs of small households which are increasing in number. Providing assistance to primary rental market units should be given priority. However, through agreements as a condition of funding, condominium units could also be secured as secondary rental housing units for a set period of time. Primary rental market units are preferred since their potential conversion from rental to ownership units is provided with protection through the City's conversion policies whereas the rental of condominium units would be controlled by an agreement for a set period of time, e.g. ten – twenty years at which time they could convert to an ownership unit regardless of the state of the City's rental market.

Additional funding sources that may be secured by programs from other orders of government would extend the impact of the City's funding reserves allowing more units to be developed. However, the Affordable Housing Reserve fund should not be premised on the availability of external funding sources because their availability is unknown and outside of the City's control.

The funding of ownership units might still be appropriate in some circumstances and should be considered on a case by case basis.

6.3.4 Development Charges

Actions

14. That the City consider exemptions or reduced development charge rates for affordable housing as part of the Development Charges Background Study in 2018 in light of the contemporary financial incentive policy.

Development charges are collected from new development to recover the capital costs associated with the infrastructure required to accommodate that growth. Under the "Development Charges Act" municipalities may vary rates by type of development and provide exemptions or reduced rates to a specific geographic area or type of development. An exemption or reduced development charge rate for affordable housing would assist affordability by reducing the cost of constructing new housing units.

Development Charge exemptions can be considered as a means of financially incenting affordable housing during the City's next Development Charges Background Study in 2018.

6.3.5 Partnerships

Actions

15. That the City leverage any partnership opportunities with the County and housing providers to help coordinate and increase the impact of our responses to affordable housing issues while recognizing legislative roles and service area boundaries.
16. That, if the County chooses to develop an incentive toolkit that publicizes current affordable housing programs and incentives, the City participate in its development and make appropriate linkages between the County's and City's communication materials.
17. That, where appropriate, the City assists with increasing the number of affordable housing units on existing County and housing provider developments.

Building on existing partnerships and making appropriate linkages with relevant directions of key stakeholders brings more resources to the table to address common areas of interest. A common communications strategy that publicizes current affordable housing programs will help avoid community confusion on current programs and incentives and create better take-up.

Supporting the revitalization of existing social housing properties could increase the number of affordable housing units available to the community since land costs would already be absorbed by the existing development. There is the potential that the additional units could help with project operating costs, especially when operating agreements expire. The City could provide this support by leveraging other strategy elements, e.g. advising on affordable housing targets and benchmarks, planning regulation and process assistance, financial incentives, etc.

The timing of partnership actions would be instigated by either the County and/or housing provider. Resource needs would be project specific and likely entail staff time.

6.3.6 Monitoring

Actions

18. That the City monitor the creation of new affordable market housing on an annual basis based on factors such as vacancy rate, success of the actions recommended in this Strategy and performance of the market sector in delivering affordable housing.
19. That the primary rental housing target be measured as a five year average.
20. That the City annually monitor key affordable housing indicators including a breakdown of the number of bedrooms per unit in stacked townhouse and apartment developments.
21. That annual reporting of accessory apartment information be expanded to include a breakdown of the number of units created by number of bedrooms.
22. That the City monitor primary rental and purpose built secondary rental units through the development review/approval process, for inclusion in measuring the affordable rental targets.
23. That data on secondary rental housing be researched on a five year cycle including a survey of registered accessory apartments to inform the creation of rental units.
24. That the City continue to advocate CMHC for the collection of secondary rental market data for the Guelph area.

Plans need to be implemented and monitored to ensure that anticipated outcomes are met. The City's Official Plan Update (OPA 48), 2012 policies commit the City to developing and maintaining an affordable housing monitoring system. The monitoring is to include details on the affordable housing developments planned and constructed over the year and to set the new affordable housing benchmark prices for ownership and rental housing for the upcoming year.

Monitoring results will help set priorities among the various affordable housing needs and provide valuable information that can be used to inform the affordable housing section of a Planning Justification Report requested as part of a complete application, to ensure consistent information is used.

Measuring the affordable rental housing target as a five year average would recognize the challenge of rental housing not being constructed every year. A rental housing project is generally delivered as part of a larger development resulting in irregular levels of high and low annual unit yields. Using a longer

timeframe yields a more accurate measure. In comparison an annual measure of ownership housing is reasonable given the steady supply of annual units created.

Linking annual affordable housing information to existing monitoring reports will help to present a complete picture of residential development activity, including affordable housing, in addition to residential building permit activity or growth management monitoring.

In light of the affordable housing issues identified in the State of Housing report, the following information should also be annually monitored:

- Number of registered accessory apartments by number of bedrooms (0-1 bedroom and 2 bedroom);
- Affordable housing information to include structure type, and number of units by number of bedrooms (0-1, 2, 3, 4+) for apartment and stacked townhouse developments; and
- Where possible new secondary rental housing supply, especially purpose built supply, should be identified including structure type, number of units and number of bedrooms.

Reporting on the number of bedrooms makes it possible to track what the housing industry has delivered and how it addresses the City's housing supply needs. In particular information on the number of bachelor and one bedroom units helps to monitor a suitable supply of units for one person households (who represented the majority of household types) and renters at 26% and 43% respectively. One person households also have the fastest growth rate among all household types, the lowest incomes and the highest level of core housing need.

Information on the secondary rental market is also important since it is estimated to be a significant portion of the City's rental market at 45% and a source of affordable units, especially within the accessory apartment stock. Identifying purpose built secondary rental housing, where possible, as part of the development review/approval process will help gauge whether or not it should be included in measuring the affordable rental target which in turn would assist the City in meeting rental housing targets. Purpose built secondary rental housing units, also referred to as condominium investment units, are an emerging supply that has similar security of tenure as primary rental housing stock. In addition Canada Mortgage and Housing Corporation (CMHC) includes secondary rental market units, where 100% of the units are rented and managed by one property management company, as part of its rental market vacancy rate.

Given the importance and challenges of information on the secondary rental stock, research should be conducted on a five year cycle, rather than annually. Annual reporting on building activity should continue to include the number of accessory apartment registrations. However, information on the number of registered accessory apartments rented and rental rates should only be collected on a five year cycle through a survey of registered accessory apartments. The City should continue to advocate CMHC for the collection of secondary rental market data for the Guelph area.

Monitoring work can be instigated in 2017 and conducted annually thereafter with the exception of a survey of registered accessory apartments. The approach is to connect with existing monitoring processes so various staff would serve as resources.

7 Strategy Implementation

The Affordable Housing Strategy as outlined herein contains policies and actions that directly address the affordable housing targets and issues identified for the City of Guelph. Appendix 3 provides a summary of the strategic actions starting with the three key policy implementation actions. The remaining twenty-four actions are presented by type of action. The timeframe for initiating the action is provided, where known, along with anticipated resource needs. Where applicable, connections to other planned projects are noted since the action will be implemented as part of a larger process to ensure a comprehensive review is undertaken.

8 Conclusion

The key action to assist with affordable housing targets and issues are financial incentives. It is critical that a comprehensive policy for an Affordable Housing Incentive Program for permanent housing funded through the Affordable Housing Reserve fund be developed and sufficiently funded to make an impactful difference on the City's affordable housing rental target and identified issues. The future development of a Community Improvement Plan will help broaden the types, forms and developers of housing that can be incented. At this point in time financial incentives would be funded by all taxpayers through the general tax base. In the future financial incentives could be directed towards new development through development charges and/or inclusionary zoning tools. It is anticipated that the other actions will assist with affordable housing needs but will not be as impactful as financial resources.

A number of monitoring actions can be initiated in 2017 which will provide improved measures for the City and development industry. Many of the actions will await other planned Corporate projects to ensure an integrated approach is taken.

Appendix 1

Government Roles and Responsibilities in Affordable Housing

The following provides a brief summary of government roles and responsibilities in affordable housing. The description is an update of information provided as part of the Background Report to the Strategy dated April 2014.

Federal Government

Historically, the federal government was a major funder of affordable housing initiatives helping to house returning war veterans and leading the nation's housing programs. In the late 1940's the federal government created a social and rental housing program for low-income families, with costs and subsidies shared 75% by the federal government and 25% by the province. However in the 1990's, the federal government ended funding for new housing programs and transferred responsibility for ongoing social housing programs to the provinces for administration.

The federal government continues to be involved in funding federal cooperatives and providing funding to designated Service Managers for rent supplements/subsidies, administration, management and the Investment in Affordable Housing (IAH) program. The IAH program, announced in 2011, provides funding to Service Managers to reduce the number of Canadians in housing need by improving access to affordable housing that is sound, suitable and sustainable. Under the program, provinces and territories match federal investments. The Economic Action Plan 2013 announced approximately \$253 million per year over five years to renew the Investment in Affordable Housing program to 2018-19.

The federal government also provides funding to Service Managers to develop local solutions to homelessness as part of the Homelessness Partnering Strategy (HPS) launched in 2007. The Economic Action Plan 2013 announced nearly \$600 million for HPS for five years, from April 2014 to March 31, 2019.

The federal investment for social housing will be ending by 2033, impacting 2,238 permanent units and 119 rent supplement units locally. Public consultation is just beginning on the development of a National Housing Strategy in Canada.

Provincial Government

Historically, the Province of Ontario directly provided and managed adequate and affordable housing starting in the early 1960's. Between 1985 and 1989, the Ontario government was directly involved in social housing and funded the building of non-profits and co-ops. By 1995, the Province followed the federal government and stopped participating in the construction of new social housing. In January 1997, the Province announced the Local Services Realignment (LSR) which made fundamental changes to provincial and municipal roles and responsibilities and created Consolidated Municipal Service Managers (Service Managers) to deliver social programs: social housing, Ontario Works and Children's Services. A year later municipalities assumed funding responsibilities for social housing although programs were still governed by the Province. In January 2001, Ontario's public housing units were devolved to Service Managers.

The Province continues to be involved in funding programs and policy development. On November 29, 2010, the Province released its Long-Term Affordable Housing Strategy (LTAHS). The LTAHS focuses on transforming the way housing and homelessness services are delivered by taking a more integrated, systems based approach.

Two key elements of the LTAHS are:

1. Local housing and homelessness plans

Service Managers are required to prepare a local Housing and Homelessness Plan (HHP) that addresses matters of provincial interest and is consistent with policy statements issued under the Act. These plans must identify local needs and establish priorities.

2. Program consolidation (Community Homelessness Prevention Initiative)

Several provincial housing and homelessness programs, each operating independently were consolidated into a single program called Community Homelessness Prevention Initiative (CHPI). Program consolidation allows Service Managers to use funding in a more flexible manner which is reflective of local need and based on an integrated, client-centred approach.

The Province also provides matching funds, with the federal government, under the Investment in Affordable Housing (IAH) program.

In addition to federal loss in funding for permanent and rent supplement units by 2033, other provincially supported rent supplement and housing allowances will end between 2023 and 2024.

County of Wellington

Wellington County, as the designated Service Manager, is responsible for the administration, funding and management of social housing and homelessness programs for both Wellington County and the City of Guelph. This work includes the completion of a Ten-Year Housing and Homelessness Plan and the allocation of IAH and CHPI funding. The Guelph Wellington's HHP was approved by the Province in November 2013. In June 2014 the County approved a Homelessness Strategy which is a five year plan to reduce homelessness in Guelph Wellington through to 2018.

City of Guelph

The City of Guelph has a funding and land use planning role to support affordable housing. The City pays its apportioned costs for social housing and homelessness programs to the County. However the City only has an indirect influence on how this funding is spent and how social housing resources are managed. As a community partner, the City provided support to the development of the Ten-Year Housing and Homelessness Plan for Guelph and Wellington.

The City primarily relies on its land use planning role to support a full range of housing that is adequate, suitable and affordable. Through the development and implementation of official plan policies, zoning by-law regulations and programs, the City supports the development, retention and support of an appropriate supply of housing. The City's Official Plan policies include affordable ownership and rental housing targets along with growth plan targets. Housing supply responses include policies permitting accessory apartments, lodging houses, multi-residential developments and protecting rental housing stock. Housing adequacy responses include property management by-laws, enhanced by-law enforcement and fire prevention programs. Housing suitability responses include enforcement of building and fire code standards and supporting other levels of government in the supply and retention of special needs housing. Housing affordability responses include land use supply responses for the types of residential units that tend to be affordable, e.g. rental apartments, including accessory apartments. In addition the City has an Affordable Housing Reserve fund that has historically funded a range of housing types by offsetting development costs.

**Appendix 2
Summary of Strategic Actions**

Strategic Actions

| # | Policy Implementation | How |
|----|--|--|
| 1. | That the affordable housing target be set at 30%; 25% affordable ownership, 1% affordable primary rental, and 4% affordable secondary rental. | To be monitored annually and reported to Council. |
| 2. | That the City's 30% affordable housing target be implemented city-wide through the development application process. Within the built-up area the focus is on the Urban Growth Centre, Intensification Corridors and Community Mixed Use Nodes. Development within the greenfield area will be planned and designed to include affordable housing. | To be monitored annually and considered through development approvals process. |
| 3. | That all development applications including residential units be required to include a discussion of how the development proposes to address the City's affordable housing target and identified issues as part of the Planning Justification Report or a rationale explaining why the housing target and identified issues are not being addressed. | Through complete application requirement for development applications. |

Strategic Actions

| # | Affordable Housing Strategic Action | Timeframe | Resource Needs | Other Planned Project |
|---|--|------------------|---|----------------------------|
| Targets | | | | |
| 1. | That the City review the affordable rental housing target during the next Official Plan review based on factors such as vacancy rate, success of the actions recommended in this Strategy and performance of the market sector in delivering affordable housing. | Every five years | Staff: Policy Planning and Urban Design | Official Plan Review (TBD) |
| Planning Regulations and Processes | | | | |

| # | Affordable Housing Strategic Action | Timeframe | Resource Needs | Other Planned Project |
|----|---|-----------|--|--|
| 2. | <p>That the City's comprehensive review of its Zoning By-law consider:</p> <ul style="list-style-type: none"> • Modifications to parking requirements for multiple residential properties and mixed-use developments that include affordable residential units to reduce requirements where appropriate; • regulations for accessory apartments in townhouses; • a combined low density residential zoning category that would permit both single and semi-detached dwelling units; and • pre-zone appropriate sites for medium and high density residential uses that align with the City's Official Plan's (OPA 48) residential designations. | 2017-2021 | Staff: Policy Planning and Urban Design, Development Planning and Zoning | Comprehensive Zoning By-law Review (TBD) |
| 3. | <p>That the City of Guelph continue to monitor the Province's work on inclusionary zoning. If inclusionary zoning does become available to municipalities, the City of Guelph will further examine the potential to use this tool to address identified affordable market housing issues within the City of Guelph, e.g. if this tool is needed and if so under what conditions the City of Guelph would choose to pursue this tool, e.g. size and type of development and percentage of affordable housing requested, in the context of the performance and outcomes of the other recommended affordable housing strategic actions.</p> | Ongoing | Staff: Policy Planning and Urban Design, and Development Planning | |
| 4. | <p>That the affordable housing section required as part of the Planning Justification Report be used to support the City's affordable housing monitoring system and provide staff with a measure of the potential demand and budget requirements for financial incentives.</p> | 2017 | Staff: Development Planning | |
| 5. | <p>That the City develop a generic Terms of Reference to</p> | 2017 | Staff: Policy | |

| # | Affordable Housing Strategic Action | Timeframe | Resource Needs | Other Planned Project |
|-----------------------------|--|---|---|--|
| | support the preparation of the affordable housing section of the Planning Justification Report. | | Planning and Urban Design, and Development Planning | |
| 6. | That when the City produces guidelines for Planning Justification Reports a section be included to satisfy requirements for the submission of an Affordable Housing Report for all residential development applications. | TBD | Staff: Policy Planning and Urban Design, and Development Planning | Integrated Operational Review (IOR) – Planning Process User Manual Support Materials (TBD) |
| 7. | That the development of height and density bonusing guidelines under Section 37 of the <i>Planning Act</i> explore how affordable housing may be delivered as a community benefit. | 2017* subject to resolution of current OMB appeals | Staff: Policy Planning and Urban Design, and Development Planning | Section 37 Implementation (TBD)* |
| 8. | That when the City updates its development standards, changes that could impact the provision of affordable housing be considered, recognizing the impact of servicing and land requirements on housing costs. For example consideration should be given to increased TDM measures, shared servicing for coach houses, etc. In addition that the future updates of development standards be coordinated with the update of the City’s Zoning By-law to ensure documents are aligned where appropriate. While these reviews may not be conducted concurrently, it is important that alignment be addressed. | TBD | Staff: Policy Planning and Urban Design, Development Planning and Engineering | Development Standards Review (TBD) |
| Financial Incentives | | | | |
| 9. | That the City provide a variety of financial assistance for the development of affordable housing. | 2017, Ongoing | Staff: Office of the Chief | |

| # | Affordable Housing Strategic Action | Timeframe | Resource Needs | Other Planned Project |
|-----|--|-----------------------------|---|--|
| | | | Administrative Officer, Finance, Public Services and Policy Planning Other: Financial budget | |
| 10. | That the City provide financial incentives to support the development of both primary rental housing units and purpose built secondary rental housing units with priority given to primary rental units. | 2017 Annually thereafter | Staff: Office of the Chief Administrative Officer, Finance, Public Services and Policy Planning and Urban Design Other: Financial budget | Affordable Housing Financial Incentive Program |
| 11. | That financial incentives focus on affordable housing projects containing smaller unit sizes (i.e. bachelor and one bedroom units). | 2017 Annually thereafter | Staff: Office of the Chief Administrator Office, Finance, Public Services and Policy Planning Other: Financial budget | Affordable Housing Financial Incentive Program |
| 12. | That priority be given to affordable housing proposals that include funding from other levels of government. | 2017 Annually thereafter | Staff: Office of the Chief Administrator Office, Finance, Public Services and Policy Planning staff Other: Financial budget | Affordable Housing Financial Incentive Program |
| 13. | That an annual financial contribution of \$60,000 to \$80,000 per unit be referred to the development of a | 2017 Annually | Staff: Office of the Chief | Affordable Housing |

| # | Affordable Housing Strategic Action | Timeframe | Resource Needs | Other Planned Project |
|----------------------------|--|--------------------|--|---|
| | comprehensive policy for an Affordable Housing Financial Incentive Program for permanent housing funded through the Affordable Housing Reserve fund . | thereafter | Administrative Officer, Finance, Public Services and Policy Planning Other: Financial budget | Financial Incentive Program |
| Development Charges | | | | |
| 14. | That the City consider exemptions or reduced development charge rates for affordable housing as part of the Development Charges Background Study in 2018 in light of the contemporary financial incentive policy. | 2018 | Staff: Policy Planning and Urban Design, and Finance Other: Consultant | Development Charges Background Study (2018) |
| Partnerships | | | | |
| 15. | That the City leverage any partnership opportunities with the County and housing providers to help coordinate and increase the impact of our responses to affordable housing issues while recognizing legislative roles and service area boundaries. | Ongoing, as needed | Staff: Planning, Urban Design & Building Services, Office of the Chief Administrative Officer Other: County and housing provider instigation and resources. | |
| 16. | That, if the County chooses to develop an incentive toolkit that publicizes current affordable housing programs and incentives, the City participate in its development and make appropriate linkages between the County's and City's communication materials. | Ongoing, as needed | Staff: Planning, Urban Design & Building Services, and Corporate Communications Other: County instigation and resources. | |
| 17. | That, where appropriate, the City assists with | Ongoing, as | Staff: Policy | |

| # | Affordable Housing Strategic Action | Timeframe | Resource Needs | Other Planned Project |
|-------------------|--|------------------|---|-----------------------|
| | increasing the number of affordable housing units on existing County and housing provider developments. | needed | Planning and Urban Design Other: County and housing provider instigation. | |
| Monitoring | | | | |
| 18. | That the City monitor the creation of new affordable market housing on an annual basis based on factors such as vacancy rate, success of the actions recommended in this Strategy and performance of the market sector in delivering affordable housing. | 2017, Ongoing | Staff: Policy Planning and Urban Design | |
| 19. | That the affordable primary rental housing target be measured as a five year average. | 2017, Ongoing | Staff: Policy Planning and Urban Design | |
| 20. | That the City annually monitor key affordable housing indicators including a breakdown of the number of bedrooms per unit in stacked townhouse and apartment developments. | 2017, Ongoing | Staff: Planning, Urban Design & Building Services, and Information Technology | |
| 21. | That annual reporting of accessory apartment information be expanded to include a breakdown of the number of units created by number of bedrooms. | 2017, Ongoing | Staff: Building | |
| 22. | That the City continue to explore the ability to identify and monitor purpose built secondary rental housing annually, excluding accessory apartments, through the development review/approval process, for inclusion in measuring the affordable rental target. | 2017, Ongoing | Staff: Policy Planning and Urban Design, and Development Planning | |
| 23. | That data on secondary rental housing be researched on a five year cycle including a survey of registered accessory apartments to inform the creation of rental units. | Q4 2019 | Staff: Policy Planning and Urban Design | |
| 24. | That the City continue to advocate CMHC for the | 2017, | Staff: Policy | |

| # | Affordable Housing Strategic Action | Timeframe | Resource Needs | Other Planned Project |
|---|---|-----------|---------------------------|-----------------------|
| | collection of secondary rental market data for the Guelph area. | Ongoing | Planning and Urban Design | |

Appendix 3

Method for Determining the Affordable Housing Target

The following presents the four step process followed to determine an affordable housing target for the City of Guelph. A flowchart is included at the end to visually present the steps.

STEP 1: 30% AFFORDABLE HOUSING TARGET

The 30% affordable housing target equates to the percentage of households that fall within the 30th to 60th household income percentile that is within the City's mandate to address. To determine household income percentiles, Statistics Canada takes the number of households in Guelph and divides them into ten equal groups based on household income. Three of the household income groups are between the 30th and 60th household income percentile and equates to 30% of the total number of households.

The Province's definition of affordable housing in the Provincial Policy Statement is focused on low and moderate income households which are households with gross annual incomes in the lowest 60th income percentile of households in the regional market area. The County of Wellington is the Service Manager for Guelph and Wellington County for homelessness and social housing services. As noted in the County's Ten-Year Housing and Homelessness Plan, the housing needs of households below the 30th household income percentile are generally served by social (RGI) housing, i.e. the 0 to 30th household income percentile. The needs of these households are generally met by non-market housing. This leaves the City to address the 30th to 60th household income percentile (moderate income households) which is meant to be served by market housing as the scope of the City's Affordable Housing Strategy.

According to the latest Census data available, in 2010, the incomes of moderate income households ranged from \$42,648 to \$83,971. Establishing a 30% affordable housing target would mean establishing an affordable housing target which applies to all moderate income households, which represent 30% of households in Guelph. A 30% affordable housing target is reasonable since the City is a single tier municipality and not the Service Manager for non-market housing services.

STEP 2: INITIAL TENURE SPLIT OF THE TENURE

The affordable housing target is proposed to reflect the tenure split of city households. A 70% ownership and 30% rental tenure split is proposed based on the City's household tenure split from the 2011 National Housing Survey. The City's tenure split has moved from a 60% ownership and 40% rental tenure split in the early 1990s to a 70% ownership and 30% rental tenure split in the 2006 and 2011 Census. The affordable rental target would include primary and secondary rental housing. Applying the proposed tenure split to the 30% affordable housing target equates to a 21% affordable ownership target and a 9% affordable rental target. The proposed tenure split is reasonable given a consistent ten year measure and CMHC's latest market trend data which does not foresee significant market shifts in Guelph.

The 9% affordable rental housing target is comprised of primary rental housing and all forms of secondary rental market housing.

- primary rental housing includes:
 - rented apartment buildings and townhouse complexes under single ownership with 3 or more units
- secondary rental market housing includes:
 - accessory apartments
 - purpose built secondary rental market (e.g. Solstice I and II condominiums and Reid's rental project on Kay Cres.)
 - other secondary rental market (rented condominium units, rented single detached dwellings, rented townhouse units that are individually owned, etc.).

STEP 3: AFFORDABLE PRIMARY RENTAL HOUSING TARGET

A 1% affordable primary rental housing target recognizes the importance to maintain and grow the City's primary rental housing stock. As part of the Affordable Housing Strategy: State of Housing report the City estimated that approximately 31% of the City's entire housing stock consisted of primary rental housing units in 2013 which amounts to approximately 55% of the City's total rental housing stock. If we focus on new housing stock, between 2009 and 2013 only 217 primary rental housing units were created which represents 5% of the total new housing stock created during that time period. The only new affordable primary rental units created between 2009 and 2013 were 80 apartment units for seniors at The Residences at St. Joseph's which received government financial assistance. This project represented approximately 2% of the housing stock completed in that time period. Despite the low levels of new primary rental housing being created, affordable primary rental continues to be important to responding to the issues identified in the Affordable Housing Strategy. Primary rental housing units help to meet the needs of some moderate income households because of its security of tenure, variety of unit sizes, professional management, etc. The fall 2016 primary vacancy rate for the Guelph CMA remained unchanged from the previous year at 1%, well below a balanced and healthy supply rate of 3%.

The new primary rental stock under construction is not anticipated to improve the affordable rental housing supply (e.g. Paisley Square at Paisley Road and Imperial Road). CMHC anticipates a slight increase in the vacancy rate over the next two years (still below 1.5%) given the number of rental apartments and condominium apartments under construction, which may find their way into the secondary rental market. More than 500 rental apartments are currently under construction which is the highest level seen in more than two decades. The new primary rental housing stock under development does not meet the City's affordable housing benchmark rents. For example the rent for a one bedroom apartment at Paisley Square, which started renting in January 2017, starts at approximately \$1,500. It is anticipated that the vacancy rate will increase initially as the units are absorbed. The vacancy rate will then likely return to existing 2016 levels unless additional primary rental housing stock is introduced and/or secondary rental market housing stock is increased, including accessory apartments. The need for new affordable primary rental stock remains unmet.

Assigning at least 1 percentage point of the affordable rental target to primary rental housing will help recognize the importance of supporting the creation of new primary rental housing whose tenure is secure and protected by the City's Official Plan policies. This target is realistic and achievable as it represents 12 units per year amounting to 60 units (approximately one mid-sized apartment building) every 5 years.

STEP 4: SPLIT OF THE SECONDARY RENTAL TARGET BETWEEN RENTAL AND OWNERSHIP TARGET

An 8% affordable secondary rental target supports both the affordable rental target and the affordable ownership target. It is recommended that accessory apartments and purpose built secondary rental market be included in the overall rental target and the other secondary rental be included in the ownership target. The 8% affordable target should be split between ownership and rental with 4% being attributed to the affordable ownership target (i.e. in the form of other secondary rental) and 4% being attributed to the affordable rental target (i.e. accessory apartments and purpose built secondary rental market). Given the low levels of new primary rental housing created over the last five years, it is likely that the secondary rental market has increased its role to meet demand. A key insight from the Affordable Housing Strategy: State of Housing report was the importance of the secondary rental market in Guelph. It found that 45% of rental housing is secondary rental. While 5% of this was in the form of accessory apartments, the other 40% was in the form of other secondary rental market housing. This finding aligns with national research by [CMHC](#) and [Vink Consulting](#) on the growing importance of the secondary rental market.

Secondary rental market units are flexible in that they can move between the ownership and rental markets. It is important that they are only counted once towards achievement of the affordable housing target. The City has the ability to collect data for purpose built secondary rental market units and accessory apartments but not for individual units that are rented by their owners such as condominium units operating as investor units.

Secondary Rental: Accessory Apartments and Purpose Built Secondary Rental Market

A 4% affordable secondary rental target comprised of purpose built secondary rental market and accessory apartments is measurable. Based on recent market trends described below, purpose built secondary rental market and accessory apartments are expected to address half of the 8% affordable secondary rental target. The affordable housing target for accessory apartments and purpose built secondary rental is 4%.

The City of Guelph supports the creation of accessory apartments and is seen as a best practice community. The City of Guelph has had great success with the creation of accessory apartments. At the end of 2016 there were more than 2,500 accessory apartments registered with the City. On average 120 accessory apartment units have been approved over the last ten years (2007 – 2016). The process of creating an accessory apartment is fairly simple with only a one time

registration process and minimal fee of \$150. A \$300 registration fee is applied if construction of the unit is started before securing a building permit. In addition the City is ensuring the health and safety of accessory apartments through active enforcement measures. These are clearly an important source of affordable rental housing and are recommended to form part of the affordable housing target rather than have a separate target as previously proposed.

Assumptions can be applied to the number of new affordable accessory apartments created by applying a 75% tenant occupancy rate and a 70% affordability rate based on results from the City's 2014 survey of registered accessory apartments.

Purpose built secondary rental market housing is generally in the form of condominium apartments that are exclusively intended for rental purposes. This also allows for units to be converted to homeownership units without being subject to the condominium conversion policies of the City's Official Plan. Some examples of purpose built secondary rental market include the student oriented Solstice I and II condominiums on Gordon Street, and an apartment building on Kay Crescent near Clair Road and Gordon Street intended to be owned and operated by Reid's Heritage Homes' rental division. Staff investigation of the Solstice developments have revealed that the units have been geared to students, rented by the rooms, and do not meet the City's affordable benchmark rents. The Kay Crescent development is not expected to meet the City's affordable benchmark rents. Recent purpose built secondary rental has exceeded the City's affordable benchmark rent.

Other Secondary Rental Market

Other secondary rental market units are individual units that are rented by their owners such as condominium units operating as investor units. Whether an individual residential unit owner decides to rent a unit or not is not directly influenced by the City. CMHC does not collect information on the secondary rental market for the Guelph area (as it does in some other markets) apart from secondary rental market units included as part of the annual rental market survey, i.e. units under single ownership that include at least 3 units. Data is not readily available on this form of housing which makes monitoring performance against the affordable housing target a challenge.

The 4% other secondary rental market unit target (e.g. investor condominiums), is best captured in the affordable housing ownership target. This recognizes their ownership status at the building permit stage, data available through MPAC at sale, and the knowledge the City has on these units. Of the 9% affordable rental target, 1% is assigned to primary rental, 4 % to secondary rental market units (purpose built secondary rental market and accessory apartments) leaving the remaining 4% assigned to other secondary rental (e.g. investor condominiums). This generally aligns with the finding that 40% of the existing rental market is other secondary rental. This change in tenure category results in an affordable ownership target of 25%.

Method for Determining the Affordable Housing Target: Flowchart

